



Financial Statements  
June 30, 2021

# Santa Barbara County Education Office

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## Independent Auditor's Report

To the Board of Education and  
Superintendent of Schools  
Santa Barbara County Education Office  
Santa Barbara, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Barbara County Education Office (the County) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County'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 opinions 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 opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Barbara County Education Office, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 4 through 12, budgetary comparison information on pages 54 and 55, schedule of changes in the County's total OPEB liability and related ratios on page 56, schedule of the County's proportionate share of the net OPEB liability – MPP program on page 57, schedule of the County's proportionate share of the net pension liability on pages 58 and 59, and the schedule of County contributions on pages 60 and 61, 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 opinions on the financial statements that collectively comprise Santa Barbara County Education Office's financial statements. The Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Schedule of Financial Trends and Analysis, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards, the Schedule of Financial Trends and Analysis, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, the Schedule of Financial Trends and Analysis, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated January 21, 2022 on our consideration of Santa Barbara County Education Office’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of Santa Barbara County Education Office’s 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 Santa Barbara County Education Office’s internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and address.

Rancho Cucamonga, California  
January 21, 2022



# Santa Barbara County Education Office

4400 Cathedral Oaks Rd, PO Box 6307, Santa Barbara, CA 93160-6307  
Telephone: (805) 964-4711 • FAX: (805) 964-4712 • sbceo.org

Susan C. Salcido, Superintendent of Schools

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This section of the Santa Barbara County Education Office's (the County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on June 30, 2021, with comparative information for the year ended June 30, 2020. Please read it in conjunction with the County's financial statements, which immediately follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

The financial statements presented herein include all of the activities of the County using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the County from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets (including capital assets) of the County, deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

- *Governmental Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Santa Barbara County Education Office.

## **GENERAL INFORMATION AND FINANCIAL HIGHLIGHTS OF THE PAST YEAR**

### **Who We Are**

The Santa Barbara County Education Office is an intermediate agency between the California Department of Education and the 20 school districts and two community college districts that are located within the County's boundaries. The K-12 enrollment County-wide is approximately 70,000 students.

### **Our Mission**

It is our office mission to provide service and leadership in the areas affecting students, teachers, and finance.

### **Students**

Seventy percent of our budget provides classroom instruction and support to special populations of students including such areas as special education, juvenile court and community schools, homeless education, arts education, vocational education, and early care and education programs.

### **Teachers**

We provide staff development and support to teachers County-wide including such programs as teacher support and recognition, instructional media services, technology training and demonstration centers, credential services, and access to worldwide information through the Internet.

### **Finance**

We provide business and data processing services to the 20 school districts, two community college districts, one joint powers agreement (JPA), and internal services. Services include the approval and monitoring of budgets and school agencies accounts, and the processing of payroll and vendor payments.

### **County School Service Fund Revenues and Expenditures**

County School Service Fund revenue increased by approximately 2.4% to \$61,166,547, between 2019-2020 and 2020-2021. This change is a result of increases in property taxes and Federal funding sources.

Expenditures in the County School Service Fund increased by about 2.9% to \$53,266,449, during the same period of time, primarily due to increases in property transfers out and activities related to categorical programs.

### **Solvency**

Our office is required to maintain at least a three percent reserve for economic uncertainties. We keep a reserve sufficient to meet State requirements and to buffer us from delays in receiving State and Federal award funds. Since our funding is primarily cyclical in nature, this business strategy allows us to manage cash flow needs without outside financing.

## REPORTING THE COUNTY AS A WHOLE

### The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the County as a whole and about its activities. These statements include *all* assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the County using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's *net position* and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net position are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the County's property tax base and the condition of the County's facilities.

The relationship between revenues and expenses is the County's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the County. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the County activities as follows:

**Governmental Activities** - All of the County's services are reported in this category. This includes services to preschool through grade twelve students, the operation of child development activities, services to school districts, and the ongoing effort to improve and maintain buildings and sites. Property taxes, State income and sales taxes, user fees, interest income, Federal income taxes, as well as Federal, State and local grants, finance these activities.

## REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives.

**Governmental Funds** - The County's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

## THE COUNTY AS TRUSTEE

### Reporting the County's Fiduciary Responsibilities

The County is the trustee, or *fiduciary*, for funds held on behalf of others, such as funds for payroll withholding accounts. The County's fiduciary activities are reported in the *Statement of Net Position – Fiduciary Funds* and the *Statement of Changes in Net Position – Fiduciary Funds*. These activities are excluded from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**THE COUNTY AS A WHOLE**

**Net Position**

The County's net position was \$17,026,459 for the fiscal year ended June 30, 2021. Of this amount, \$7,444,537 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and is enabling legislation that limit the governing board's ability to use the net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the County's governmental activities.

**Table 1**

	Governmental Activities	
	2021	2020
Assets		
Current and other assets	\$ 86,951,698	\$ 67,338,088
Capital assets	5,032,679	4,455,363
Total assets	91,984,377	71,793,451
Deferred outflows of resources	11,131,738	12,620,573
Liabilities		
Current liabilities	24,360,036	11,149,974
Long-term liabilities other than OPEB and Pensions	45,113	32,659
Other postemployment benefits (OPEB) liability	1,120,073	1,156,418
Aggregate net pension liability	53,184,903	52,869,477
Total liabilities	78,710,125	65,208,528
Deferred inflows of resources	7,379,531	7,832,732
Net Position		
Investment in capital assets	5,032,679	4,455,363
Restricted	4,549,243	5,568,949
Unrestricted	7,444,537	1,348,452
Total net position	\$ 17,026,459	\$ 11,372,764

The \$7,444,537 in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. This number is inclusive of the County's share of the unfunded liabilities of the California State Teachers' Retirement System and the California Public Employees' Retirement System. It means that if we had to pay off all of our bills *today*, including all of our non-capital liabilities (pension liabilities and compensated absences as an example); we would have \$7,444,537 left.

**Changes in Net Position**

The results of this year's operations for the County as a whole are reported in the *Statement of Activities* on page 14. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

	Governmental Activities	
	2021	2020
Revenues		
Program revenues		
Charges for services and sales	\$ 8,508,701	\$ 8,430,505
Operating grants and contributions	52,162,375	45,916,750
General revenues		
Federal and State aid not restricted	4,956,239	4,533,667
Property taxes	19,955,695	19,091,043
Other general revenues	3,336,114	3,296,064
Total revenues	88,919,124	81,268,029
Expenses		
Instruction-related	32,634,195	31,711,864
Pupil services	8,288,801	8,004,569
Administration	12,365,472	11,739,718
Plant services	2,546,876	1,941,891
All other services	27,430,085	21,422,724
Total expenses	83,265,429	74,820,766
Change in net position	\$ 5,653,695	\$ 6,447,263

**Governmental Activities**

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$83,265,429. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$19,955,695 because the cost was paid by those who benefited from the programs (\$8,508,701) or by other governments and organizations who subsidized certain programs with grants and contributions (\$52,162,375). We paid for the remaining "public benefit" portion of our governmental activities with \$8,292,353 in unrestricted Federal and State funds and with other revenues, such as interest and general entitlements.

In Table 3, we have presented the cost of each of the County's largest functions which are instruction, pupil services, administration, plant services, and all other services as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the County's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Instruction-related	\$ 32,634,195	\$ 31,711,864	\$ (7,627,768)	\$ (5,953,006)
Pupil services	8,288,801	8,004,569	(872,727)	(554,354)
Administration	12,365,472	11,739,718	(6,542,044)	(6,532,737)
Plant services	2,546,876	1,941,891	(1,951,184)	(1,661,528)
All other services	27,430,085	21,422,724	(5,600,630)	(5,771,886)
<b>Total</b>	<b>\$ 83,265,429</b>	<b>\$ 74,820,766</b>	<b>\$ (22,594,353)</b>	<b>\$ (20,473,511)</b>

**THE COUNTY'S FUNDS**

As the County completed this year, our governmental funds reported a combined fund balance of \$62,591,662, which is an increase of \$6,403,548, or 11.4% from last year (Table 4).

**Table 4**

Governmental Fund	Balances and Activity			
	June 30, 2020	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2021
County School Service Fund	\$ 27,428,476	\$ 62,202,599	\$ 57,325,434	\$ 32,305,641
Child Development Fund	3,709,305	26,400,181	27,115,289	2,994,197
Special Reserve Fund for Capital Outlay Projects	25,050,333	3,788,885	1,547,394	27,291,824
Forest Reserve Fund	-	45,646	45,646	-
<b>Total</b>	<b>\$ 56,188,114</b>	<b>\$ 92,437,311</b>	<b>\$ 86,033,763</b>	<b>\$ 62,591,662</b>

**County School Service Fund Budgetary Highlights**

Over the course of the year, the County revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 2021. (Schedules showing the County's original and final budget amounts compared with amounts actually paid and received are provided in our annual report beginning on page 54).

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2021, the County had \$5,032,679 in a broad range of capital assets, including land, buildings, and furniture and equipment, net of depreciation, an increase of \$577,316, or 13.0%.

**Table 5**

	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 1,739,874	\$ 599,070
Buildings and improvements	2,287,799	2,550,159
Equipment	1,005,006	1,306,134
Total	\$ 5,032,679	\$ 4,455,363

This year's additions of \$577,316 included various facilities improvement projects and equipment for use in classrooms and support functions. No debt was issued for these additions. We present more detailed information about our capital assets in Note 4 to the financial statements.

**Long-Term Liabilities other than OPEB and Pensions**

At the end of this year, the County had \$45,113 in long-term liabilities other than OPEB and pensions versus \$32,659 last year, an increase of \$12,454, or 38.1%.

	Governmental Activities	
	2021	2020
Long-Term Liabilities other than OPEB and Pension		
Compensated absences	\$ 45,113	\$ 32,659

We present more detailed information about our long-term liabilities in Note 8 to the financial statements.

**OPEB and Pensions**

At year-end, the County had other postemployment benefits (OPEB) liability of \$1,120,073 versus \$1,156,418 last year, a decrease of \$36,345, or 3.1%.

In addition, at year-end, the County had an aggregate net pension liability of \$53,184,903 versus \$52,869,477 last year, an increase of \$315,426, or 0.6%.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In considering the budget for the 2021- 2022 fiscal year, the criteria used include the following key assumptions:

### Revenue Projections

1. Local Control Funding Formula income will receive no funded cost of living increase.
2. Interest earnings will remain fairly stable.
3. Federal income in the County School Service Fund will decrease due to decreases in various Federal programs.
4. Other State income will increase due to an increase in various State programs.

### Expenditure Projections

5. Salaries and benefits will have a 2.00% cost of living applied.
6. Salaries and benefits will increase by approximately 1.19% due to step and column changes for existing staffing.
7. Health and welfare costs will increase by 13.00% partially due to an increase in health insurance premiums.
8. Utility costs will increase by 5.00%.
9. Expenditures for supplies and services will decrease 35.00% due to decreases in revenue.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and teachers with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Administrator, Internal Services, at the Santa Barbara County Education Office, 4400 Cathedral Oaks Road, Santa Barbara, California, 93160-6307.

Santa Barbara County Education Office

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
<b>Assets</b>	
Deposits and investments	\$ 75,226,391
Receivables	11,709,579
Prepaid expense	15,728
Capital assets not depreciated	1,739,874
Capital assets, net of accumulated depreciation	<u>3,292,805</u>
Total assets	<u>91,984,377</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources related to OPEB	684,338
Deferred outflows of resources related to pensions	<u>10,447,400</u>
Total deferred outflows of resources	<u>11,131,738</u>
<b>Liabilities</b>	
Accounts payable	12,954,272
Unearned revenue	11,405,764
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due in more than one year	45,113
Net other postemployment benefits (OPEB) liability	1,120,073
Aggregate net pension liability	<u>53,184,903</u>
Total liabilities	<u>78,710,125</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources related to OPEB	30,835
Deferred inflows of resources related to pensions	<u>7,348,696</u>
Total deferred inflows of resources	<u>7,379,531</u>
<b>Net Position</b>	
Investment in capital assets	5,032,679
Restricted for	
Educational programs	3,504,981
Child development	1,044,262
Unrestricted	<u>7,444,537</u>
Total net position	<u>\$ 17,026,459</u>

Santa Barbara County Education Office  
Statement of Activities  
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction	\$ 19,799,672	\$ 1,285,346	\$ 14,778,837	\$ (3,735,489)
Instruction-related activities				
Supervision of instruction	9,395,415	2,069,781	4,165,419	(3,160,215)
Instructional library, media, and technology	815,202	85,506	219,715	(509,981)
School site administration	2,623,906	1,022,141	1,379,682	(222,083)
Pupil services				
Home-to-school transportation	32,403	-	40	(32,363)
Food services	762,727	642	719,389	(42,696)
All other pupil services	7,493,671	1,062,767	5,633,236	(797,668)
Administration				
Data processing	2,467,660	709,979	19,637	(1,738,044)
All other administration	9,897,812	380,875	4,712,937	(4,804,000)
Plant services	2,546,876	26,884	568,808	(1,951,184)
Community services	20,723,510	773,174	19,762,806	(187,530)
Enterprise services	33,187	28,753	782	(3,652)
Other outgo	6,673,388	1,062,853	201,087	(5,409,448)
Total governmental activities	<u>\$ 83,265,429</u>	<u>\$ 8,508,701</u>	<u>\$ 52,162,375</u>	<u>(22,594,353)</u>
<b>General Revenues and Subventions</b>				
Property taxes, levied for general purposes				19,727,310
Taxes levied for other specific purposes				228,385
Federal and State aid not restricted to specific purposes				4,956,239
Interest and investment earnings				300,120
Interagency revenues				77,195
Miscellaneous				<u>2,958,799</u>
Subtotal, general revenues and subventions				<u>28,248,048</u>
Change in Net Position				5,653,695
Net Position - Beginning				<u>11,372,764</u>
Net Position - Ending				<u>\$ 17,026,459</u>

Santa Barbara County Education Office

Balance Sheet – Governmental Funds

June 30, 2021

	County School Service Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects	Total Governmental Funds
<b>Assets</b>				
Deposits and investments	\$ 41,038,299	\$ 10,372,765	\$ 23,815,327	\$ 75,226,391
Receivables	9,307,855	2,401,270	454	11,709,579
Due from other funds	1,901,687	27,033	3,672,703	5,601,423
Prepaid expenditures	15,728	-	-	15,728
	<u>52,263,569</u>	<u>12,801,068</u>	<u>27,488,484</u>	<u>92,553,121</u>
<b>Total assets</b>	<b>\$ 52,263,569</b>	<b>\$ 12,801,068</b>	<b>\$ 27,488,484</b>	<b>\$ 92,553,121</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 10,771,408	\$ 1,986,204	\$ 196,660	\$ 12,954,272
Due to other funds	3,699,736	1,901,687	-	5,601,423
Unearned revenue	5,486,784	5,918,980	-	11,405,764
	<u>19,957,928</u>	<u>9,806,871</u>	<u>196,660</u>	<u>29,961,459</u>
<b>Total liabilities</b>	<b>19,957,928</b>	<b>9,806,871</b>	<b>196,660</b>	<b>29,961,459</b>
<b>Fund Balances</b>				
Nonspendable	20,728	-	-	20,728
Restricted	3,504,981	1,044,262	-	4,549,243
Assigned	9,447,727	1,949,935	27,291,824	38,689,486
Unassigned	19,332,205	-	-	19,332,205
	<u>32,305,641</u>	<u>2,994,197</u>	<u>27,291,824</u>	<u>62,591,662</u>
<b>Total fund balances</b>	<b>32,305,641</b>	<b>2,994,197</b>	<b>27,291,824</b>	<b>62,591,662</b>
<b>Total liabilities and fund balances</b>	<b>\$ 52,263,569</b>	<b>\$ 12,801,068</b>	<b>\$ 27,488,484</b>	<b>\$ 92,553,121</b>

Santa Barbara County Education Office  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2021

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Total Fund Balance - Governmental Funds		\$ 62,591,662
<p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
The cost of capital assets is	\$ 10,299,671	
Accumulated depreciation is	<u>(5,266,992)</u>	
Net capital assets		5,032,679
<p>Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to</p>		
Other postemployment benefits (OPEB) liability	684,338	
Aggregate net pension liability	<u>10,447,400</u>	
Total deferred outflows of resources		11,131,738
<p>Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to</p>		
Other postemployment benefits (OPEB) liability	(30,835)	
Aggregate net pension liability	<u>(7,348,696)</u>	
Total deferred inflows of resources		(7,379,531)
<p>Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(53,184,903)
<p>The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(1,120,073)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.</p>		
<p>Long-term liabilities at year-end consist of</p>		
Compensated absences (vacations)		<u>(45,113)</u>
Total net position - governmental activities		<u>\$ 17,026,459</u>

Santa Barbara County Education Office  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2021

	County School Service Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local Control Funding Formula	\$ 23,972,825	\$ -	\$ -	\$ -	\$ 23,972,825
Federal sources	1,865,558	12,140,555	-	45,646	14,051,759
Other State sources	8,365,484	12,983,073	-	-	21,348,557
Other local sources	26,962,678	890,270	116,182	-	27,969,130
<b>Total revenues</b>	<b>61,166,545</b>	<b>26,013,898</b>	<b>116,182</b>	<b>45,646</b>	<b>87,342,271</b>
<b>Expenditures</b>					
<b>Current</b>					
Instruction	16,636,916	1,816,700	-	-	18,453,616
Instruction-related activities					
Supervision of instruction	8,406,554	405,336	-	-	8,811,890
Instructional library, media, and technology	762,591	-	-	-	762,591
School site administration	1,469,733	1,110,736	-	-	2,580,469
Pupil services					
Home-to-school transportation	31,992	-	-	-	31,992
Food services	6,082	752,995	-	-	759,077
All other pupil services	6,878,785	-	-	-	6,878,785
Administration					
Data processing	2,433,120	-	-	-	2,433,120
All other administration	7,265,133	1,896,389	-	-	9,161,522
Plant services	2,136,892	6,696	338,158	-	2,481,746
Community services	576,596	20,097,230	-	-	20,673,826
Other outgo	6,634,589	-	-	38,799	6,673,388
Enterprise services	27,465	-	-	-	27,465
Facility acquisition and construction	-	-	1,209,236	-	1,209,236
<b>Total expenditures</b>	<b>53,266,448</b>	<b>26,086,082</b>	<b>1,547,394</b>	<b>38,799</b>	<b>80,938,723</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>7,900,097</b>	<b>(72,184)</b>	<b>(1,431,212)</b>	<b>6,847</b>	<b>6,403,548</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,036,054	386,283	3,672,703	-	5,095,040
Transfers out	(4,058,986)	(1,029,207)	-	(6,847)	(5,095,040)
<b>Net Financing Sources (Uses)</b>	<b>(3,022,932)</b>	<b>(642,924)</b>	<b>3,672,703</b>	<b>(6,847)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>4,877,165</b>	<b>(715,108)</b>	<b>2,241,491</b>	<b>-</b>	<b>6,403,548</b>
<b>Fund Balance - Beginning</b>	<b>27,428,476</b>	<b>3,709,305</b>	<b>25,050,333</b>	<b>-</b>	<b>56,188,114</b>
<b>Fund Balance - Ending</b>	<b>\$ 32,305,641</b>	<b>\$ 2,994,197</b>	<b>\$ 27,291,824</b>	<b>\$ -</b>	<b>\$ 62,591,662</b>

Santa Barbara County Education Office

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended June 30, 2021

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Total Net Change in Fund Balances - Governmental Funds		\$ 6,403,548
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlay exceeds depreciation expense in the period.</p>		
Capital outlay	\$ 1,673,178	
Depreciation expense	<u>(633,757)</u>	
Net expense adjustment		1,039,421
<p>Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.</p>		
		(462,105)
<p>In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.</p>		
		(12,454)
<p>In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and aggregate net pension liability during the year.</p>		
		(1,313,460)
<p>In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.</p>		
		<u>(1,255)</u>
Change in net position of governmental activities		<u>\$ 5,653,695</u>

Santa Barbara County Education Office  
Statement of Net Position – Fiduciary Funds  
June 30, 2021

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	<u>Custodial Funds</u>
Assets	
Deposits and investments	<u>\$ 24,372,001</u>
Liabilities	
Due to other governments	<u>\$ 24,372,001</u>

Santa Barbara County Education Office  
Statement of Changes in Net Position – Fiduciary Funds  
Year Ended June 30, 2021

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	Custodial Funds
Additions	
Fund collected for others	\$ 1,311,436,838
Interest	59,452
Total additions	1,311,496,290
Deductions	
Fund distributed to others	1,311,496,290
Change In Fiduciary Net Position	-
Net Position - Beginning	-
Net Position - Ending	\$ -

**Note 1 - Summary of Significant Accounting Policies****Financial Reporting Entity**

The Santa Barbara County Education Office (the "County") operates under the laws of the State of California. The County operates under a locally elected seven-member board form of government and provides administration and leadership, public information and government liaison to twenty school districts and two community college districts in Santa Barbara County. The County also provides educational services directly to individuals for special purposes.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Santa Barbara County Education Office, this includes general operations of the County.

**Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The County's funds are grouped into two broad fund categories: governmental and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major and non-major governmental funds:

**Major Governmental Funds**

**County School Service Fund** The County School Service Fund accounts for all financial resources except those required to be accounted for in another fund. The County School Service Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of California.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the County School Service Fund, and accordingly has been combined with the County School Service Fund for presentation in these audited financial statements.

As a result, the County School Service Fund reflects an increase of \$10,933,799 in fund balance, and a decrease in expenditures and other uses of \$1,099,999.

**Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

**Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of the County School Service Fund monies for capital outlay purposes (*Education Code* Section 42840).

### **Non-Major Governmental Fund**

**Special Revenue Funds** The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Forest Reserve Fund** The Forest Reserve Fund exists to account separately for Federal forest reserve funds received by offices of county superintendents for distribution to the Local Educational Entities (*Education Code* Section 2300; *Government Code* Section 29484).

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the County and are not available to support the County's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

Custodial funds are used to account for resources, not in a trust, that are held by the County for other parties outside the County's reporting entity. The County's custodial funds are used to account for the payroll taxes and retirement payments for all public educational agencies in Santa Barbara County.

### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each governmental program and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The County does not allocate indirect expenses to functions in the Statement of Activities.

Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the County. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Fund Financial Statements** Fund financial statements report detailed information about the County. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major governmental funds are aggregated and presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the County.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The County considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

**Unearned Revenue** Unearned revenues arise when resources are received by the County before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the County has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

### **Investments**

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the county investment pool are determined by the program sponsor.

### **Prepaid Expenditures (Expenses)**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the County. The County maintains a capitalization threshold of \$5,000. The County does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statement of net position. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the Statement of Net Position.

**Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the County's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

**Accrued Liabilities and Long-Term Liabilities**

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full, from current financial resources are reported as liabilities of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County reports deferred outflows of resources for pension related items, and for OPEB related items. The deferred outflows for pension and OPEB to contributions subsequent to measurement date, change in proportions and differences between contributions and the District's proportionate share of contributions, differences between projected and actual earnings on pension plan investments, differences between expected and actual experience in the measurement of total pension and OPEB liability, and changes of assumptions.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County reports deferred inflows of resources for pension related items and for OPEB related items. The deferred inflows for pension and OPEB relate to change in proportions and differences between contributions and the District's proportionate share of contributions, differences between expected and actual experience in the measurement of total pension and OPEB liability, and changes of assumptions .

### **Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the County School Service Fund.

### **Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the County Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the County Plan and the MPP. For this purpose, the County Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the County School Service Fund.

### **Fund Balances - Governmental Funds**

As of June 30, 2021, 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 can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the County. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The County currently does not have any committed funds.

**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. Under the County's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

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

### **Minimum Fund Balance Policy**

It has been the practice of the governing board to adopt a budget and also to ensure throughout the year that interim budget reports are built reflecting a minimum fund balance for the County School Service Fund which is sufficient to protect the County against revenue shortfalls, unexpected expenditures, and to meet the cash-flow needs of the office, recognizing the impact of state deferrals and the practice of advancing cash to programs that begin before funding is received. This practice of reserving for economic uncertainties necessitates starting with the State's recommended minimum reserve of three percent and adding to its sufficient unassigned reserves to meet the unique cash needs of the County.

### **Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The County has no related debt outstanding as of June 30, 2021.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The County first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$4,549,243 of restricted net position.

**Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 11 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Barbara bills and collects the taxes on behalf of the County. Local property tax revenues are recorded when received.

**Change in Accounting Principles**

As of July 1, 2020, the County adopted GASB Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the County resulted in a reclassification of the County's fiduciary activity from an agency fund to a custodial fund and required the County to include the Statement of Changes in Net Position

The provisions of this Statement have been implemented as of June 30, 2021.

**New Accounting Pronouncements**

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the County's financial statements have not yet been determined.

**Note 2 - Deposits and Investments**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 75,226,391
Fiduciary funds	<u>24,372,001</u>
Total deposits and investments	<u><u>\$ 99,598,392</u></u>

Deposits and investments as of June 30, 2021, consist of the following:

Cash in revolving	\$ 5,000
Investments	<u>99,593,392</u>
Total deposits and investments	<u><u>\$ 99,598,392</u></u>

**Policies and Practices**

The County is authorized under California *Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**Investment in County Treasury** - The County is considered to be an involuntary participant in an external investment pool as the County is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the County's investment in the pool is reported in the accounting financial statements at amounts based upon the County's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The County manages its exposure to interest rate risk by investing in the Santa Barbara County Treasury Investment Pool. The County maintains an investment of \$99,593,392 with the Santa Barbara County Treasury Investment Pool. This investment has an average weighted maturity of 735 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment in the Santa Barbara County Treasury Investment Pool is not required to be rated, nor has it been rated as of June 30, 2021.

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2021, the County's bank balance of \$6,620 was not exposed to custodial credit risk because it was fully insured.

**Note 3 - Receivables**

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	County School Service Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects	Total
Federal Government				
Categorical aid	\$ 810,032	\$ 1,568,465	\$ -	\$ 2,378,497
State Government				
LCFF apportionment	1,490,665	-	-	1,490,665
Categorical aid	2,444,134	575,985	-	3,020,119
Lottery	12,615	-	-	12,615
Special education	2,768,351	-	-	2,768,351
Local Government				
Interest	63,450	11,210	-	74,660
Other local sources	1,718,608	245,610	454	1,964,672
	<u>\$ 9,307,855</u>	<u>\$ 2,401,270</u>	<u>\$ 454</u>	<u>\$ 11,709,579</u>

**Note 4 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Construction in progress	99,070	1,140,804	-	1,239,874
<b>Total capital assets not being depreciated</b>	<b>599,070</b>	<b>1,140,804</b>	<b>-</b>	<b>1,739,874</b>
Capital assets being depreciated				
Land improvements	86,978	-	-	86,978
Buildings and improvements	4,232,127	210,657	(456,595)	3,986,189
Furniture and equipment	4,549,809	321,717	(384,896)	4,486,630
<b>Total capital assets being depreciated</b>	<b>8,868,914</b>	<b>532,374</b>	<b>(841,491)</b>	<b>8,559,797</b>
<b>Total capital assets</b>	<b>9,467,984</b>	<b>1,673,178</b>	<b>(841,491)</b>	<b>10,299,671</b>
Accumulated depreciation				
Land improvements	(79,216)	(1,454)	-	(80,670)
Buildings and improvements	(1,689,730)	(127,028)	112,060	(1,704,698)
Furniture and equipment	(3,243,675)	(505,275)	267,326	(3,481,624)
<b>Total accumulated depreciation</b>	<b>(5,012,621)</b>	<b>(633,757)</b>	<b>379,386</b>	<b>(5,266,992)</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 4,455,363</b>	<b>\$ 1,039,421</b>	<b>\$ (462,105)</b>	<b>\$ 5,032,679</b>

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities</b>		
Instruction		\$ 316,879
Data processing		44,363
All other administration		44,363
Plant services		228,152
<b>Total depreciation expenses governmental activities</b>		<b>\$ 633,757</b>

**Note 5 - Interfund Transactions**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2021, between major governmental funds are as follows:

Due To	Due From		Total
	County School Service Fund	Child Development Fund	
County School Service Fund	\$ -	\$ 1,901,687	\$ 1,901,687
Child Development Fund	27,033	-	27,033
Special Reserve Fund for Capital Outlay Projects	3,672,703	-	3,672,703
Total	<u>\$ 3,699,736</u>	<u>\$ 1,901,687</u>	<u>\$ 5,601,423</u>

The balance of \$1,901,687 due to the County School Service Fund from the Child Development Fund resulted from indirect costs charges.

The balance of \$27,033 due to the Child Development Fund from the County School Service Fund resulted from a program balance adjustment transfer.

The balance of \$3,672,703 due to the Special Reserve Fund for Capital Outlay Projects from the County School Service Fund is for future capital outlay purposes.

**Operating Transfers**

Interfund transfers for the year ended June 30, 2021, consisted of the following:

Transfer To	Transfer From			Total
	County School Service Fund	Child Development Fund	Non-Major Governmental Funds	
County School Service Fund	\$ -	\$ 1,029,207	\$ 6,847	\$ 1,036,054
Child Development Fund	386,283	-	-	386,283
Special Reserve Fund for Capital Outlay Projects	<u>3,672,703</u>	<u>-</u>	<u>-</u>	<u>3,672,703</u>
Total	<u>\$ 4,058,986</u>	<u>\$ 1,029,207</u>	<u>\$ 6,847</u>	<u>\$ 5,095,040</u>

The Child Development Fund transferred to the County School Service Fund for Health Linkages Program activity. \$ 1,029,207

The Forest Reserve Non-Major Governmental Fund transferred to the County School Service Fund for the County Education Office's portion of the grant. 6,847

The County School Service Fund transferred to the Child Development Fund for a program contribution. 386,283

The County School Service Fund transferred to the Special Reserve Fund for Capital Outlay Projects for future capital outlay purposes. 3,672,703

Total \$ 5,095,040

**Note 6 - Accounts Payable**

Accounts payable at June 30, 2021, consisted of the following:

	County School Service Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects	Total
Vendor payables	\$ 2,041,160	\$ 1,768,967	\$ 196,660	\$ 4,006,787
LCFF apportionment	6,431,115	-	-	6,431,115
Salaries and benefits	1,559,604	3,951	-	1,563,555
Other	<u>739,529</u>	<u>213,286</u>	<u>-</u>	<u>952,815</u>
Total	<u>\$ 10,771,408</u>	<u>\$ 1,986,204</u>	<u>\$ 196,660</u>	<u>\$ 12,954,272</u>

**Note 7 - Unearned Revenue**

Unearned revenue at June 30, 2021, consists of the following:

	County School Service Fund	Child Development Fund	Total
Federal financial assistance	\$ 485,748	\$ 5,612,747	\$ 6,098,495
State categorical aid	3,893,116	305,233	4,198,349
Other local	1,107,920	1,000	1,108,920
	<u>1,107,920</u>	<u>1,000</u>	<u>1,108,920</u>
Total	<u>\$ 5,486,784</u>	<u>\$ 5,918,980</u>	<u>\$ 11,405,764</u>

**Note 8 - Long-Term Liabilities other than OPEB and Pensions**

**Summary**

The changes in the County's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Long-Term Liabilities				
Compensated absences	<u>\$ 32,659</u>	<u>\$ 12,454</u>	<u>\$ -</u>	<u>\$ 45,113</u>

**Compensated Absences**

Compensated absences (unpaid employee vacation) for the County at June 30, 2021, amounted to \$45,113. The compensated absences will be paid by the County School Service Fund.

**Note 9 - Net Other Postemployment Benefit (OPEB) Liability**

For the fiscal year ended June 30, 2021, the County reported net OPEB liability, deferred outflows, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
County Plan	\$ 953,694	\$ 684,338	\$ 30,835	\$ 117,489
Medicare Premium Payment (MPP) Program	166,379	-	-	11,097
Total	\$ 1,120,073	\$ 684,338	\$ 30,835	\$ 128,586

The details of each plan are as follows:

**County Plan**

**Plan Administration**

The County's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. Management of The Plan is vested in the County's management.

**Plan Membership**

At June 30, 2020, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	16
Active employees	303
Total	319

**Benefits Provided**

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The County's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of the Plan members and the County are established and may be amended by the County, the Santa Barbara County Education Association (SBCEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements. For the measurement period of June 30, 2021, the County paid \$127,331 in benefits.

**Total OPEB Liability of the County**

The County's total OPEB liability of \$953,694 was measured as of June 30, 2021, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2020.

**Actuarial Assumptions**

The total OPEB liability as of June 30, 2021 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total OPEB liability to June 30, 2021. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.63 %
Salary increases	2.75 %, average, including inflation
Discount rate	2.16 %
Healthcare cost trend rates	4.00 % for 2021

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Mortality for Miscellaneous and Schools Employees Table for classified employees.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actual experience study for the period July 1, 2019 to June 30, 2020.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance, June 30, 2020	\$ 1,001,136
Service cost	56,373
Interest	21,244
Changes of assumptions or other inputs	2,272
Benefit payments	(127,331)
Net change in total OPEB liability	(47,442)
Balance, June 30, 2021	\$ 953,694

Changes of assumptions and other inputs reflect a change in the discount rate from 2.20 % in 2020 to 2.16% in 2021.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (1.16%)	\$ 1,002,408
Current discount rate (2.16%)	953,694
1% increase (3.16%)	906,306

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (3.00%)	\$ 864,465
Current healthcare cost trend rate (4.00%)	953,694
1% increase (5.00%)	1,059,303

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB**

For the year ended June 30, 2021, the County recognized OPEB expense of \$117,489. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 682,257	\$ 29,555
Changes of assumptions	2,081	1,280
Total	<u>\$ 684,338</u>	<u>\$ 30,835</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 39,872
2023	70,704
2024	68,701
2025	68,701
2026	68,701
Thereafter	336,824
Total	<u>\$ 653,503</u>

**Medicare Premium Payment (MPP) Program**

**Plan Description**

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**Benefits Provided**

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly County benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

**Net OPEB Liability and OPEB Expense**

At June 30, 2021, the County reported a liability of \$166,379 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The County's proportion of the net OPEB liability was based on a projection of the County's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The County's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.0393%, and 0.0417%, resulting in a net decrease in the proportionate share of 0.0024%.

For the year ended June 30, 2021, the County recognized OPEB expense of \$11,097.

**Actuarial Methods and Assumptions**

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Experience Study	June 30, 2014 through June 30, 2018	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.21%	3.50%
Medicare Part A Premium Cost Trend Rate	4.50%	3.70%
Medicare Part B Premium Cost Trend Rate	5.40%	4.10%

For the valuation as of June 30, 2019, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population (159,339).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

**Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2020, is 2.21%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

**Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the County's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (1.21%)	\$ 183,978
Current discount rate (2.21%)	166,379
1% increase (3.21%)	151,403

**Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates**

The following presents the County's proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

<u>Medicare Costs Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease (3.50% Part A and 4.40% Part B)	\$ 150,861
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	166,379
1% increase (5.50% Part A and 6.40% Part B)	184,242

**Note 10 - Fund Balances**

Fund balances are composed of the following elements:

	County School Service Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects	Total
<b>Nonspendable</b>				
Revolving cash	\$ 5,000	\$ -	\$ -	\$ 5,000
Prepaid expenditures	15,728	-	-	15,728
Total nonspendable	20,728	-	-	20,728
<b>Restricted</b>				
Legally restricted programs	3,504,981	1,044,262	-	4,549,243
<b>Assigned</b>				
Capital projects	-	-	27,291,824	27,291,824
Other program balances	9,447,727	1,949,935	-	11,397,662
Total assigned	9,447,727	1,949,935	27,291,824	38,689,486
<b>Unassigned</b>				
Reserve for economic uncertainties	10,933,799	-	-	10,933,799
Remaining unassigned	8,398,406	-	-	8,398,406
Total unassigned	19,332,205	-	-	19,332,205
Total	<u>\$ 32,305,641</u>	<u>\$ 2,994,197</u>	<u>\$ 27,291,824</u>	<u>\$ 62,591,662</u>

**Note 11 - Risk Management**

The County is exposed to various risks of losses related to torts; thefts, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The County's risk management activities are recorded in the County School Service Fund. The County participates in the various public entity risk pools for health, workers' compensation, and property and liability risks. The participation in the public entity risk pools represents a transfer of risk to the pools. Provisions of the agreements with the public entity risk pools provide for additional assessments for deficits within the pool based upon specific calculations. As of June 30, 2021, information was not available that indicates that the County has an outstanding obligation for any calculated deficits. See Note 14 for additional information regarding the pools.

**Note 12 - Employee Retirement Systems**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2021, the County reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 21,835,083	\$ 5,066,944	\$ 4,924,160	\$ 1,589,632
CalPERS	31,349,820	5,380,456	2,424,536	4,843,331
<b>Total</b>	<b>\$ 53,184,903</b>	<b>\$ 10,447,400</b>	<b>\$ 7,348,696</b>	<b>\$ 6,432,963</b>

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The County contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

**Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The County contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	16.15%	16.15%
Required employer contribution rate	10.328%	10.328%
Required state contribution rate		

**Contributions**

Required member local educational agencies and the State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the County's total contributions were \$2,061,466.

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

At June 30, 2021, the County reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the County. The amount recognized by the County as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the County were as follows:

Total net pension liability, including State share

Proportionate share of net pension liability	\$ 21,835,083
State's proportionate share of the net pension liability	<u>11,255,988</u>
<b>Total</b>	<b><u><u>\$ 33,091,071</u></u></b>

The net pension liability was measured as of June 30, 2020. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating school County's and the State, actuarially determined. The County's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.0225% and 0.0236%, resulting in a net decrease in the proportionate share of 0.0011%.

For the year ended June 30, 2021, the County recognized pension expense of \$1,589,632. In addition, the County recognized pension expense and revenue of \$1,576,853 for support provided by the State. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,061,466	\$ -
Change in proportion and differences between contributions made and County's proportionate share of contributions	319,043	4,308,374
Differences between projected and actual earnings on pension plan investments	518,676	-
Differences between expected and actual experience in the measurement of the total pension liability	38,529	615,786
Changes of assumptions	<u>2,129,230</u>	<u>-</u>
<b>Total</b>	<b><u><u>\$ 5,066,944</u></u></b>	<b><u><u>\$ 4,924,160</u></u></b>

The deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (316,493)
2023	176,723
2024	352,582
2025	<u>305,864</u>
Total	<u>\$ 518,676</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and County's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (784,358)
2023	(715,787)
2024	(163,295)
2025	(499,423)
2026	(135,065)
Thereafter	<u>(139,430)</u>
Total	<u>\$ (2,437,358)</u>

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments 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. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the County's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 32,989,770
Current discount rate (7.10%)	21,835,083
1% increase (8.10%)	12,625,319

**California Public Employees' Retirement System (CalPERS)**

**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.700%	20.700%

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the total County contributions were \$3,058,037.

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

As of June 30, 2021, the County reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$31,349,820. The net pension liability was measured as of June 30, 2020. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating school County's, actuarially determined. The County's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.1022% and 0.1084%, resulting in a net decrease in the proportionate share of 0.0062%.

For the year ended June 30, 2021, the County recognized pension expense of \$4,843,331. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,058,037	\$ -
Change in proportion and differences between contributions made and County's proportionate share of contributions	-	2,424,536
Differences between projected and actual earnings on pension plan investments	652,604	-
Differences between expected and actual experience in the measurement of the total pension liability	1,554,854	-
Changes of assumptions	<u>114,961</u>	<u>-</u>
Total	<u>\$ 5,380,456</u>	<u>\$ 2,424,536</u>

The deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (244,217)
2023	217,834
2024	378,630
2025	<u>300,357</u>
Total	<u>\$ 652,604</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 95,868
2023	(316,096)
2024	(484,204)
2025	(50,289)
Total	<u>\$ (754,721)</u>

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits

for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the County's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 45,071,083
Current discount rate (7.15%)	31,349,820
1% increase (8.15%)	19,961,860

**Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The County has elected to use Social Security as its alternative plan. Contributions made by the County and employees are calculated according to Federal law.

**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the County. These payments consist of State County School Service Fund contributions to CalSTRS in the amount of \$1,273,844 (10.328% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

**Note 13 - Commitments and Contingencies****Grants**

The County received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the County School Service Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County at June 30, 2021.

**Litigation**

The County is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the County at June 30, 2021.

**Note 14 - Participation in Public Entity Risk Pools and Joint Power Authorities**

The County is a member of the Self-Insured Schools of California (SISC II and SISC III) and the Santa Barbara County Schools Self-Insurance Program for Employees (SIPE) public entity risk pools and the Special Education Local Plan Authority (SELPA) joint powers authority (JPA). The County pays an annual premium to each entity for its property and liability, health benefits, and workers' compensation coverage. The relationships between the County, the pools, and the JPA are such that they are not component units of the County for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the County are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2021, the County made payments of \$54,158, \$8,788,201, and \$399,005 to SISC II, SISC III, and SIPE, respectively, for services received.



Required Supplementary Information  
June 30, 2021

**Santa Barbara County Education Office**

Santa Barbara County Education Office  
 Budgetary Comparison Schedule – County School Service Fund  
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local Control Funding Formula	\$ 22,556,397	\$ 23,804,043	\$ 23,972,825	\$ 168,782
Federal sources	1,921,753	2,867,482	1,865,558	(1,001,924)
Other State sources	10,730,453	11,079,861	8,365,484	(2,714,377)
Other local sources	29,546,060	27,115,385	26,962,678	(152,707)
Total revenues <sup>1</sup>	<u>64,754,663</u>	<u>64,866,771</u>	<u>61,166,545</u>	<u>(3,700,226)</u>
<b>Expenditures</b>				
<b>Current</b>				
Certificated salaries	13,614,143	12,706,999	12,502,896	204,103
Classified salaries	14,725,473	13,808,781	13,326,862	481,919
Employee benefits	15,975,893	13,600,953	13,187,119	413,834
Books and supplies	957,356	1,541,612	1,034,610	507,002
Services and operating expenditures	13,893,932	16,103,990	8,225,178	7,878,812
Other outgo	5,670,325	4,435,002	4,738,200	(303,198)
Capital outlay	378,337	632,814	251,583	381,231
Total expenditures <sup>1</sup>	<u>65,215,459</u>	<u>62,830,151</u>	<u>53,266,448</u>	<u>9,563,703</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(460,796)</u>	<u>2,036,620</u>	<u>7,900,097</u>	<u>5,863,477</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	180,910	1,060,614	1,036,054	(24,560)
Transfers out	<u>(1,270,002)</u>	<u>(2,860,152)</u>	<u>(4,058,986)</u>	<u>(1,198,834)</u>
Net Financing Sources (Uses)	<u>(1,089,092)</u>	<u>(1,799,538)</u>	<u>(3,022,932)</u>	<u>(1,223,394)</u>
Net Change in Fund Balances	(1,549,888)	237,082	4,877,165	4,640,083
Fund Balance - Beginning	<u>27,428,476</u>	<u>27,428,476</u>	<u>27,428,476</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 25,878,588</u>	<u>\$ 27,665,558</u>	<u>\$ 32,305,641</u>	<u>\$ 4,640,083</u>

<sup>1</sup> Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the County School Service Fund, additional revenues and expenditures pertaining to this fund is included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final County School Service Fund budgets.

Santa Barbara County Education Office  
 Budgetary Comparison Schedule – Child Development Fund  
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Federal sources	\$ 8,352,694	\$ 14,898,208	\$ 12,140,555	\$ (2,757,653)
Other State sources	12,102,899	12,482,618	12,983,073	500,455
Other local sources	338,980	546,496	890,270	343,774
Total revenues	<u>20,794,573</u>	<u>27,927,322</u>	<u>26,013,898</u>	<u>(1,913,424)</u>
<b>Expenditures</b>				
Current				
Certificated salaries	1,159,234	1,350,041	1,203,489	146,552
Classified salaries	1,437,021	1,428,888	1,363,345	65,543
Employee benefits	1,914,753	1,704,496	1,669,699	34,797
Books and supplies	202,756	269,568	162,012	107,556
Services and operating expenditures	14,898,437	21,408,382	19,768,192	1,640,190
Other outgo	1,515,118	2,063,264	1,896,389	166,875
Capital outlay	29,255	33,255	22,956	10,299
Total expenditures	<u>21,156,574</u>	<u>28,257,894</u>	<u>26,086,082</u>	<u>2,171,812</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(362,001)</u>	<u>(330,572)</u>	<u>(72,184)</u>	<u>258,388</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	372,023	386,282	386,283	1
Transfers out	(174,890)	(1,054,590)	(1,029,207)	25,383
Net financing sources (uses)	<u>197,133</u>	<u>(668,308)</u>	<u>(642,924)</u>	<u>25,384</u>
Net Change in Fund Balances	(164,868)	(998,880)	(715,108)	283,772
Fund Balance - Beginning	<u>3,709,305</u>	<u>3,709,305</u>	<u>3,709,305</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 3,544,437</u>	<u>\$ 2,710,425</u>	<u>\$ 2,994,197</u>	<u>\$ 283,772</u>

Santa Barbara County Education Office  
Schedule of Changes in the County's Total OPEB Liability and Related Ratios  
Year Ended June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 56,373	\$ 2,066	\$ 2,006	\$ 2,749
Interest	21,244	7,181	72	106
Difference between expected and actual experience	-	815,268	(118,214)	12,033
Changes of assumptions	2,272	-	(5,126)	-
Benefit payments	<u>(127,331)</u>	<u>(55,011)</u>	<u>(87,512)</u>	<u>(135,087)</u>
Net change in total OPEB liability	(47,442)	769,504	(208,774)	(120,199)
Total OPEB Liability - Beginning	<u>1,001,136</u>	<u>231,632</u>	<u>440,406</u>	<u>560,605</u>
Total OPEB Liability - Ending	<u>\$ 953,694</u>	<u>\$ 1,001,136</u>	<u>\$ 231,632</u>	<u>\$ 440,406</u>
Covered Payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

<sup>1</sup> The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

*Note:* In the future, as data becomes available, ten years of information will be presented.

Santa Barbara County Education Office  
Schedule of the County's Proportionate Share of the Net OPEB Liability – MPP Program  
Year Ended June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.0393%	0.0417%	0.0413%	0.0475%
Proportionate share of the net OPEB liability	\$ 166,379	\$ 155,282	\$ 158,149	\$ 199,685
Covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

<sup>1</sup> As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

*Note* : In the future, as data becomes available, ten years of information will be presented.

Santa Barbara County Education Office  
Schedule of the County's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>				
Proportion of the net pension liability	0.0225%	0.0236%	0.0230%	0.0262%
Proportionate share of the net pension liability	\$ 21,835,083	\$ 21,288,721	\$ 21,156,279	\$ 24,245,483
State's proportionate share of the net pension liability	11,255,988	11,614,419	12,112,959	14,343,423
Total	<u>\$ 33,091,071</u>	<u>\$ 32,903,140</u>	<u>\$ 33,269,238</u>	<u>\$ 38,588,906</u>
Covered payroll	<u>\$ 12,253,158</u>	<u>\$ 12,624,889</u>	<u>\$ 12,645,412</u>	<u>\$ 13,963,752</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>178.20%</u>	<u>168.63%</u>	<u>167.30%</u>	<u>173.63%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
<b>CalPERS</b>				
Proportion of the net pension liability	0.1022%	0.1084%	0.1112%	0.1149%
Proportionate share of the net pension liability	<u>\$ 31,349,820</u>	<u>\$ 31,580,756</u>	<u>\$ 29,651,897</u>	<u>\$ 27,435,257</u>
Covered payroll	<u>\$ 14,730,962</u>	<u>\$ 14,811,975</u>	<u>\$ 14,672,442</u>	<u>\$ 15,146,587</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>212.82%</u>	<u>213.21%</u>	<u>202.09%</u>	<u>181.13%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>70%</u>	<u>71%</u>	<u>72%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

Note : In the future, as data becomes available, ten years of information will be presented.

Santa Barbara County Education Office  
Schedule of the County's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2021

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>			
Proportion of the net pension liability	0.0292%	0.0340%	0.0343%
Proportionate share of the net pension liability	\$ 23,576,845	\$ 22,899,487	\$ 20,021,380
State's proportionate share of the net pension liability	<u>13,421,877</u>	<u>12,111,304</u>	<u>12,089,774</u>
Total	<u>\$ 36,998,722</u>	<u>\$ 35,010,791</u>	<u>\$ 32,111,154</u>
Covered payroll	<u>\$ 15,518,108</u>	<u>\$ 15,541,351</u>	<u>15,315,979</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>151.93%</u>	<u>147.35%</u>	<u>130.72%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>			
Proportion of the net pension liability	0.1292%	0.1546%	0.1760%
Proportionate share of the net pension liability	<u>\$ 25,526,156</u>	<u>\$ 22,787,829</u>	<u>\$ 19,980,319</u>
Covered payroll	<u>\$ 15,688,225</u>	<u>\$ 16,834,560</u>	<u>18,083,223</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>162.71%</u>	<u>135.36%</u>	<u>110.49%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014

Note : In the future, as data becomes available, ten years of information will be presented.

Santa Barbara County Education Office  
Schedule of County Contributions  
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>				
Contractually required contribution	\$ 2,061,466	\$ 2,095,290	\$ 2,055,332	\$ 1,824,733
Less contributions in relation to the contractually required contribution	<u>2,061,466</u>	<u>2,095,290</u>	<u>2,055,332</u>	<u>1,824,733</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 12,764,495</u>	<u>\$ 12,253,158</u>	<u>\$ 12,624,889</u>	<u>\$ 12,645,412</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>
<b>CalPERS</b>				
Contractually required contribution	\$ 3,058,037	\$ 2,905,093	\$ 2,675,339	\$ 2,278,777
Less contributions in relation to the contractually required contribution	<u>3,058,037</u>	<u>2,905,093</u>	<u>2,675,339</u>	<u>2,278,777</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 14,773,126</u>	<u>\$ 14,730,962</u>	<u>\$ 14,811,975</u>	<u>\$ 14,672,442</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>

*Note* : In the future, as data becomes available, ten years of information will be presented.

Santa Barbara County Education Office  
Schedule of County Contributions  
Year Ended June 30, 2021

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>			
Contractually required contribution	\$ 1,756,640	\$ 1,665,093	\$ 1,380,072
Less contributions in relation to the contractually required contribution	<u>1,756,640</u>	<u>1,665,093</u>	<u>1,380,072</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 13,963,752</u>	<u>\$ 15,518,108</u>	<u>\$ 15,541,351</u>
Contributions as a percentage of covered payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>			
Contractually required contribution	\$ 2,103,558	\$ 1,858,584	\$ 1,981,596
Less contributions in relation to the contractually required contribution	<u>2,103,558</u>	<u>1,858,584</u>	<u>1,981,596</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 15,146,587</u>	<u>\$ 15,688,225</u>	<u>\$ 16,834,560</u>
Contributions as a percentage of covered payroll	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

*Note* : In the future, as data becomes available, ten years of information will be presented.

## **Note 1 - Purpose of Schedules**

### **Budgetary Comparison Schedules**

The County employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

These schedules present information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

### **Schedule of Changes in the County's Total OPEB Liability and Related Ratios**

This schedule presents information on the County's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Change in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Change of Assumptions* – Changes of assumptions and other inputs reflect a change in the discount rate from 2.20 % in 2020 to 2.16% in 2021.

### **Schedule of the County's Proportionate Share of the Net OPEB Liability - MPP Program**

This schedule presents information on the County's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.50% to 2.21% since the previous valuation.

### **Schedule of the County's Proportionate Share of the Net Pension Liability**

This schedule presents information on the County's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the County. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

### **Schedule of County Contributions**

This schedule presents information on the County's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



Supplementary Information  
June 30, 2021

**Santa Barbara County Education Office**

Santa Barbara County Education Office  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Education				
Passed through California Department of Education (CDE)				
Special Education (IDEA) Cluster				
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	\$ 147,595	\$ -
Preschool Grants, Part B, Sec 619	84.173	13430	10,248	-
			<u>157,843</u>	<u>-</u>
Total Special Education (IDEA) Cluster				
Title I, Part D - Local Delinquent Programs	84.010	14357	399,804	-
School Improvement (CSI) Funding for COEs	84.010	15439	83,737	-
			<u>483,541</u>	<u>-</u>
Subtotal				
Early Intervention Grants, Part C	84.181	23761	127,331	-
Title IX, Homeless Children Education (Stewart McKinney)	84.196	14332	178,407	-
Title II, Part A - Supporting Effective Instruction	84.367	14341	5,440	-
COVID-19 Education Stabilization Fund				
Governor's Emergency Education Relief (GEER) Fund:				
Learning Loss Mitigation	84.425C	15517	7,772	-
			<u>960,334</u>	<u>-</u>
Total U.S. Department of Education				
U.S. Department of Treasury				
Passed through CDE				
COVID-19 Coronavirus Relief Fund (CRF):				
Learning Loss Mitigation	21.019	25516	905,226	-
			<u>905,226</u>	<u>-</u>
Total U.S. Department of Treasury				
U.S. Department of Agriculture				
Passed through CDE				
Forest Service Schools and Roads Cluster				
Forest Reserve	10.665	10044	45,646	38,799
			<u>45,646</u>	<u>38,799</u>
Total Forest Service Schools and Roads Cluster				
Child and Adult Care Food Program	10.558	13393	587,198	-
CCFP Cash in Lieu of Commodities	10.558	13534	1,072	-
CCFP Family Day Care Sponsor Admin	10.558	13665	66,960	-
			<u>655,230</u>	<u>-</u>
Subtotal				
			<u>700,876</u>	<u>38,799</u>
Total U.S. Department of Agriculture				

Santa Barbara County Education Office  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Passed through CDE				
Child Care and Development Fund Block Grant Cluster				
Federal Child Care, Center-Based	93.575	15136	\$ 21,311	\$ -
COVID-19 CARES Act Federal Alternative Payment	93.575	15511	368,065	-
COVID-19 CARES Act Federal Alternative Payment, Stage 2	93.575	15512	51,831	-
COVID-19 CARES Act Federal Alternative Payment, Stage 3	93.575	15513	188,056	-
Federal Alternative Payment	93.596	13694	7,150,820	-
Federal Alternative Payment, Stage 2	93.575	14178	623,030	-
Federal Alternative Payment, Stage 3	93.575	14985	8,948	-
Federal Alternative Payment, Stage 3	93.575	13881	1,375,031	-
Federal Alternative Payment, Stage 3	93.575	14984	245,058	-
Federal Alternative Payment, Stage 3	93.575	15452	153,096	-
Federal Local Planning Councils	93.575	13946	56,641	-
Quality Improvement Activities	93.575	14092	261,660	-
COVID-19 Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - One-time Stipend	93.575	15555	<u>981,776</u>	-
Total Child Care and Development Fund Block Grant Cluster			<u>11,485,323</u>	-
Total U.S. Department of Health and Human Services			<u>11,485,323</u>	-
Total Federal Financial Assistance			<u>\$ 14,051,759</u>	<u>\$ 38,799</u>

**ORGANIZATION**

The Santa Barbara County Education Office is governed by an elected Superintendent of Schools and a seven-member County Board of Education. The County Superintendent develops personnel and program policy and is the employer for all County schools' employees. The County Board makes policy decisions related to County operated programs in appropriate areas of budgeting, curriculum, and planning. Another function of the County Board is to hear appeals related to student interdistrict attendance, student expulsions, and charter schools.

The County provides direct services to students where the County Office is the most appropriate agency to operate specialized student programs and coordinate County-wide student events in specialized programs such as Severely Handicapped Special Education, Regional Occupational Program, incarcerated youth, and expelled and at-risk youth. The County provides essential fiscal and administrative services to twenty school districts and two community college districts throughout the County.

**COUNTY BOARD OF EDUCATION**

MEMBER	TRUSTEE AREA	OFFICE	TERM EXPIRES
Mrs. Maggi Daane	7	President	2022
Mrs. Judith Frost	5	Vice President	2022
Mrs. Marybeth Carty	1	Member	2022
Dr. Peter R. MacDougall	2	Member	2024
Mr. Bruce Porter	3	Member	2024
Mrs. Michelle de Ward	4	Member	2024
Mr. Weldon U. Howell, Jr.	6	Member	2024

**ADMINISTRATION**

Dr. Susan Salcido	County Superintendent of Schools
Ms. Kirsten Escobedo	Assistant Superintendent, Special Education
Ms. Mari Minjarez Baptista	Assistant Superintendent, Human Resources
Mr. Bill Ridgeway	Assistant Superintendent, Administrative Services
Ms. Bridget Baublits	Assistant Superintendent, Educational Services
Ms. Ellen Barger	Assistant Superintendent, Curriculum and Instruction

Santa Barbara County Education Office  
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
Year Ended June 30, 2021

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2021.

Santa Barbara County Education Office  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2021

	(Budget) 2022 <sup>1</sup>	2021	2020	2019
County School Service Fund <sup>3</sup>				
Revenues	\$ 61,274,037	\$ 61,166,545	\$ 59,716,872	\$ 58,014,324
Other sources	6,020	1,036,054	7,154	7,438
Total revenues and other sources	<u>61,280,057</u>	<u>62,202,599</u>	<u>59,724,026</u>	<u>58,021,762</u>
Expenditures	61,485,602	53,266,448	51,784,241	51,092,762
Other uses	2,845,893	5,158,985	6,510,554	5,492,979
Total expenditures and other uses	<u>64,331,495</u>	<u>58,425,433</u>	<u>58,294,795</u>	<u>56,585,741</u>
Increase/(Decrease) in Fund Balance	<u>(3,051,438)</u>	<u>3,777,166</u>	<u>1,429,231</u>	<u>1,436,021</u>
Ending Fund Balance	<u>\$ 18,320,404</u>	<u>\$ 21,371,842</u>	<u>\$ 17,594,676</u>	<u>\$ 16,165,445</u>
Available Reserves <sup>2</sup>	<u>\$ 7,373,027</u>	<u>\$ 19,332,205</u>	<u>\$ 14,878,794</u>	<u>\$ 13,359,411</u>
Available Reserves as a Percentage of Total Outgo	<u>11.46%</u>	<u>33.09%</u>	<u>25.52%</u>	<u>24.40%</u>
Long-Term Liabilities including OPEB and Pensions	<u>N/A</u>	<u>\$ 54,350,089</u>	<u>\$ 54,058,554</u>	<u>\$ 51,237,886</u>
K-12 Average Daily Attendance at P-2	<u>75</u>	<u>101</u>	<u>101</u>	<u>80</u>

The County School Service Fund balance has increased by \$5,206,397 over the past two years. The fiscal year 2021-2022 budget projects a decrease of \$3,051,438 (14.3%). For a County this size, the State recommends available reserves of at least 3.0% of total County School Service Fund expenditures and other uses (total outgo).

The County has incurred operating surpluses in each the past three years, but anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$3,112,203 over the past two years.

Average daily attendance has increased by 21 over the past two years. A decline of 26 ADA is anticipated during fiscal year 2021-2022.

<sup>1</sup> Budget 2022 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the County School Service Fund.

<sup>3</sup> County School Service Fund amounts do not include activity related to the consolidation of the Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

## **Note 1 - Purpose of Schedules**

### **Schedule of Expenditures of Federal Awards**

#### Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Santa Barbara County Education Office (the County) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Santa Barbara County Education Office, it is not intended to and does not present the net position of the County.

#### Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting except for subrecipients, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### Indirect Cost Rate

The County has not elected to use the ten percent de minimis cost rate.

#### Food Donation

The County has not received nonmonetary assistance in the form of commodities.

### **Local Education Agency Organization Structure**

This schedule provides information about the County's boundaries, schools operated, members of the governing board, and members of the administration.

### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

### **Schedule of Financial Trends and Analysis**

This schedule discloses the County's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the County's ability to continue as a going concern for a reasonable period of time.



Independent Auditor's Reports  
June 30, 2021

# Santa Barbara County Education Office



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Education and  
Superintendent of Schools  
Santa Barbara County Education Office  
Santa Barbara, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Barbara County Education Office, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Santa Barbara County Education Office’s basic financial statements and have issued our report thereon dated January 21, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Santa Barbara County Education Office’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Santa Barbara County Education Office’s internal control. Accordingly, we do not express an opinion on the effectiveness of Santa Barbara County Education Office’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Santa Barbara County Education Office's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
January 21, 2022



## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Education and  
Superintendent of Schools  
Santa Barbara County Education Office  
Santa Barbara, California

### **Report on Compliance for Each Major Federal Program**

We have audited Santa Barbara County Education Office's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Santa Barbara County Education Office's major federal programs for the year ended June 30, 2021. Santa Barbara County Education Office's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Santa Barbara County Education Office's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Santa Barbara County Education Office's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Santa Barbara County Education Office's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Santa Barbara County Education Office's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control over Compliance**

Management of Santa Barbara County Education Office is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Santa Barbara County Education Office's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Santa Barbara County Education Office's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California  
January 21, 2022



## Independent Auditor's Report on State Compliance

To the Board of Education and  
Superintendent of Schools  
Santa Barbara County Education Office  
Santa Barbara, California

### Report on State Compliance

We have audited Santa Barbara County Education Office's (the County) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

### Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

### Auditor's Responsibility

Our responsibility is to express an opinion on the County's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the County's compliance.

## Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the County's compliance with laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Instructional Time	No, see below
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
<b>CHARTER SCHOOLS</b>	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	No, see below

The County's kindergarten students are retained using an Individualized Education Program based on the identified special needs; therefore, we did not perform procedures related to Kindergarten Continuance.

Instructional Time does not apply to the County; therefore, we did not perform procedures related to Instructional Time.

Ratio of Administrative Employees to Teachers does not apply to the County; therefore, we did not perform procedures related to Ratio of Administrative Employees to Teachers.

Classroom Teachers Salaries does not apply to the County; therefore, we did not perform procedures related to Classroom Teacher Salaries.

The County did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

K-3 Grade Span Adjustment does not apply to the County; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the County.

We did not perform District of Choice procedures because the program is not offered by the County.

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

The County does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

The County does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

***Unmodified Opinion***

In our opinion, Santa Barbara County Education Office complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California  
January 21, 2022



Schedule of Findings and Questioned Costs  
June 30, 2021

# Santa Barbara County Education Office

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

**Identification of major programs**

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing/ Federal CFDA Number</u>
Coronavirus Relief Fund (CRF): Learning Loss Mitigation Child Care and Development Fund Block Grant Cluster	21.019 93.575 and 93.596
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**State Compliance**

Type of auditor's report issued on compliance for programs	Unmodified
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None reported.

None reported.

None reported.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

**State Compliance Findings**

2020-001      Code

Criteria or Specific Requirements

According to *California Education Code Section 2575(k) or 42238.03(a)(6)(b)*, for funds received by the County for the purpose of administering the Transportation Program during the 2019-2020 fiscal year, the County must expend no less than the amount of funds expended, or the amount of revenue received, if that is less, for the purpose of that program in the 2012-13 fiscal year.

Condition

The County is deficient in meeting the maintenance of effort requirement for its Transportation Program. Specifically, the County was deficient by \$130,598 for the Transportation Program.

Questioned Costs

There were no questioned costs associated with the condition identified. However, the County was deficient in meeting its Regional Transportation Maintenance of Effort by \$130,598.

Context

The County records its activities related to its Transportation Program using a locally defined resource code 0240. In reviewing the activities posted in resource code 0240, the County expended a total of \$24,372. The total amount expended by the County did not meet the required level of maintenance of effort which was identified as \$154,970 for the Transportation Program.

Effect

As a result of our testing, the County does not appear to be in compliance with *California Education Code Section 42238.03(a)(6)(b)*.

Cause

It appears the condition identified has materialized directly as a result of a reduction in the operation of the programs.

Repeat Finding (Yes or No)

Yes. See item 2019-001 in the accompanying *Summary Schedule of Prior Audit Findings*.

Recommendation

The County should be cognizant of the general guidelines pertaining to maintenance of effort requirements. The County should ensure its budgeting process incorporates maintenance of effort requirements into account for other programs, especially when there may be a direct fiscal penalty imposed on the County for failing to meet the maintenance of effort requirements.

Current status

This compliance section was suspended for 2020-2021, as identified on the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Therefore, we did not perform procedures related to the County's compliance with this requirement for 2020-2021.