Financial Statements
June 30, 2022

# Santa Barbara County Education Office

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Schedule of Findings and Questioned Costs

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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 Audit of the Financial Statements

### *Opinions*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Barbara County Education Office (the County) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 the County, as of June 30, 2022, 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.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Adoption of New Accounting Standard*

As discussed in Notes 1 and 16 to the financial statements, the County has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position and fund balance of the General Fund as of July 1, 2021, to restate beginning net position and fund balance. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the County's total OPEB liability and related ratios, schedule of the County's proportionate share of the net OPEB liability – MPP program, schedule of the County's proportionate share of the net pension liability, and schedule of the County's contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and 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 our report dated December 15, 2022 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is 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 the County'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 the County's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2022

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Susan C. Salcido, Superintendent of Schools

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, 2022, with comparative information for the year ended June 30, 2021. 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 and right-to-use leased 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-four 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 joint powers agreements (JPAs), 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 four percent to $63,600,611, between 2020-2021 and 2021-2022. This change is a result of increases in property taxes, Federal funding sources, and other State revenues.

Expenditures in the County School Service Fund increased by about 14.2% to $60,827,381, 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 the governmental fund financial statements.

## 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 $25,238,925 for the fiscal year ended June 30, 2022. Of this amount, $4,466,953 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 | |
|---|---|---|
| | 2022 | 2021 as restated |
| Assets | | |
| Current and other assets | $ 91,931,084 | $ 87,186,675 |
| Capital assets, including lease assets | 7,264,246 | 5,116,487 |
| Total assets | 99,195,330 | 92,303,162 |
| Deferred outflows of resources | 9,722,539 | 11,131,738 |
| Liabilities | | |
| Current liabilities | 27,105,737 | 24,360,036 |
| Long-term liabilities other than OPEB and Pensions | 1,432,378 | 128,232 |
| Other postemployment benefits (OPEB) liability | 970,585 | 1,120,073 |
| Aggregate net pension liability | 31,699,035 | 53,184,903 |
| Total liabilities | 61,207,735 | 78,793,244 |
| Deferred inflows of resources | 22,471,209 | 7,614,508 |
| Net Position | | |
| Investment in capital assets | 5,892,780 | 5,033,368 |
| Restricted | 14,879,192 | 4,549,243 |
| Unrestricted | 4,466,953 | 7,444,537 |
| Total net position | $ 25,238,925 | $ 17,027,148 |

The $4,466,953 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 $4,466,953 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 15. 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 2022 | Governmental Activities 2021* |
|---|---|---|
| Revenues | | |
| Program revenues | | |
| Charges for services and sales | $ 8,103,171 | $ 8,508,701 |
| Operating grants and contributions | 60,005,560 | 52,162,375 |
| General revenues | | |
| Federal and State aid not restricted | 4,905,050 | 4,956,239 |
| Property taxes | 21,082,724 | 19,955,695 |
| Other general revenues | (1,268,815) | 3,336,114 |
| Total revenues | 92,827,690 | 88,919,124 |
| Expenses | | |
| Instruction-related | 30,323,618 | 32,634,195 |
| Pupil services | 7,047,158 | 8,288,801 |
| Administration | 11,279,286 | 12,365,472 |
| Plant services | 2,012,640 | 2,546,876 |
| All other services | 33,953,211 | 27,430,085 |
| Total expenses | 84,615,913 | 83,265,429 |
| Change in net position | $ 8,211,777 | $ 5,653,695 |

* The revenues and expenses for fiscal year 2021 were not restated to show the effects of GASB 87 for comparative purposes.

**Governmental Activities**

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $84,615,913. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $21,082,724 because the cost was paid by those who benefited from the programs ($8,103,171) or by other governments and organizations who subsidized certain programs with grants and contributions ($60,005,560). We paid for the remaining "public benefit" portion of our governmental activities with $3,636,235 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 | |
|---|---|---|---|---|
| | 2022 | 2021* | 2022 | 2021* |
| Instruction-related | $ 30,323,618 | $ 32,634,195 | $ (2,482,681) | $ (7,627,768) |
| Pupil services | 7,047,158 | 8,288,801 | 469,902 | (872,727) |
| Administration | 11,279,286 | 12,365,472 | (3,978,671) | (6,542,044) |
| Plant services | 2,012,640 | 2,546,876 | (1,356,772) | (1,951,184) |
| All other services | 33,953,211 | 27,430,085 | (9,158,960) | (5,600,630) |
| Total | $ 84,615,913 | $ 83,265,429 | $ (16,507,182) | $ (22,594,353) |

* The revenues and expenses for fiscal year 2021 were not restated to show the effects of GASB 87 for comparative purposes.

**THE COUNTY'S FUNDS**

As the County completed this year, our governmental funds reported a combined fund balance of $64,590,659, which is an increase of $1,998,997, or 3.2% from last year (Table 4).

**Table 4**

| | Balances and Activity | | | |
|---|---|---|---|---|
| Governmental Fund | June 30, 2021 as restated | Revenues and Other Financing Sources | Expenditures and Other Financing Uses | June 30, 2022 |
| County School Service Fund | $ 32,305,641 | $ 65,064,222 | $ 63,221,990 | $ 34,147,873 |
| Child Development Fund | 2,994,197 | 31,678,403 | 31,713,564 | 2,959,036 |
| Special Reserve Fund for Capital Outlay Projects | 27,291,824 | 1,250,112 | 1,058,186 | 27,483,750 |
| Forest Reserve Fund | - | 48,206 | 48,206 | - |
| Total | $ 62,591,662 | $ 98,040,943 | $ 96,041,946 | $ 64,590,659 |

**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 2022. (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 63).

## CAPITAL AND DEBT ADMINISTRATION

### Capital and Right-to-Use Leased Assets

At June 30, 2022, the County had $7,264,246 in a broad range of capital and right-to-use leased assets, including land, buildings, and furniture and equipment, net of depreciation and amortization, an increase of $2,147,759, or 42.0%.

**Table 5**

| | Governmental Activities | |
|---|---|---|
| | 2022 | 2021 as restated |
| Land and construction in progress | $ 1,099,828 | $ 1,739,874 |
| Buildings and improvements | 3,648,823 | 2,287,799 |
| Equipment | 1,151,258 | 1,005,006 |
| Right-to-use leased assets | 1,364,337 | 83,808 |
| Total | $ 7,264,246 | $ 5,116,487 |

This year's additions of $2,147,759 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 has $1,432,378 in long-term liabilities other than OPEB and pensions versus $128,232 (as restated) last year, an increase of $1,304,146 or 1,017.0%.

| | Governmental Activities | |
|---|---|---|
| | 2022 | 2021 as restated |
| Long-Term Liabilities other than OPEB and Pension | | |
| Leases | $ 1,371,466 | $ 83,119 |
| Compensated absences | 60,912 | 45,113 |
| Total | $ 1,432,378 | $ 128,232 |

We present more detailed information about our long-term liabilities in Note 9 to the financial statements.

**OPEB and Pensions**

At year-end, the County had other postemployment benefits (OPEB) liability of $970,585 versus $1,120,073 last year, a decrease of $149,488, or 13.3%. We present more information about our OPEB liabilities in Note 10 to the financial statements.

In addition, at year-end, the County had an aggregate net pension liability of $31,699,035 versus $53,184,903 last year, a decrease of $21,485,868, or 40.4%. We present more information about our pension liability in Note 13 to the financial statements.

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

In considering the budget for the 2022- 2023 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 increase due to rising interest rates.
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

1. Salaries and benefits will have a 1.00% cost of living applied.
2. Salaries and benefits will increase by approximately 3.45% due to step and column changes for existing staffing.
3. Health and welfare costs will increase by 13.00% partially due to an increase in health insurance premiums.
4. Utility costs will increase by 5.00%.
5. Expenditures for supplies and services will decrease 37.6% 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.

| | Governmental Activities |
|---|---|
| **Assets** | |
| Deposits and investments | $ 82,307,795 |
| Receivables | 9,393,769 |
| Prepaid expense | 51,460 |
| Lease receivable | 178,060 |
| Capital assets not depreciated | 1,099,828 |
| Capital assets, net of accumulated depreciation | 4,800,081 |
| Right-to-use leased assets, net of accumulated amortization | 1,364,337 |
| Total assets | 99,195,330 |
| **Deferred Outflows of Resources** | |
| Deferred outflows of resources related to OPEB | 613,631 |
| Deferred outflows of resources related to pensions | 9,108,908 |
| Total deferred outflows of resources | 9,722,539 |
| **Liabilities** | |
| Accounts payable | 15,758,824 |
| Unearned revenue | 11,346,913 |
| Long-term liabilities | |
| Long-term liabilities other than OPEB and pensions due within one year | 304,434 |
| Long-term liabilities other than OPEB and pensions due in more than one year | 1,127,944 |
| Net other postemployment benefits (OPEB) liability | 970,585 |
| Aggregate net pension liability | 31,699,035 |
| Total liabilities | 61,207,735 |
| **Deferred Inflows of Resources** | |
| Deferred inflows of resources related to OPEB | 65,463 |
| Deferred inflows of resources related to pensions | 22,171,058 |
| Deferred inflows of resources related to leases | 234,688 |
| Total deferred inflows of resources | 22,471,209 |
| **Net Position** | |
| Investment in capital assets | 5,892,780 |
| Restricted for | |
| Capital projects | 558 |
| Educational programs | 13,121,252 |
| Child development | 1,757,382 |
| Unrestricted | 4,466,953 |
| Total net position | $ 25,238,925 |

| Functions/Programs | Expenses | Program Revenues: Charges for Services and Sales | Program Revenues: Operating Grants and Contributions | Net (Expenses) Revenues and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Instruction | $ 18,611,109 | $ 2,147,984 | $ 17,134,944 | $ 671,819 |
| Instruction-related activities | | | | |
| Supervision of instruction | 8,037,100 | 1,729,810 | 3,772,716 | (2,534,574) |
| Instructional library, media, and technology | 638,031 | 81,757 | 147,196 | (409,078) |
| School site administration | 3,037,378 | 1,172,290 | 1,654,240 | (210,848) |
| Pupil services | | | | |
| Home-to-school transportation | 16,773 | - | 13 | (16,760) |
| Food services | 722,291 | 106 | 735,813 | 13,628 |
| All other pupil services | 6,308,094 | 1,262,610 | 5,518,518 | 473,034 |
| Administration | | | | |
| Data processing | 2,431,269 | 894,218 | 49,692 | (1,487,359) |
| All other administration | 8,848,017 | 414,840 | 5,941,865 | (2,491,312) |
| Plant services | 2,012,640 | 38,273 | 617,595 | (1,356,772) |
| Community services | 25,266,143 | 315,971 | 24,134,680 | (815,492) |
| Enterprise services | 168,910 | 632 | 29 | (168,249) |
| Interest on long-term liabilities | 18,589 | - | 298,259 | 279,670 |
| Other outgo | 8,499,569 | 44,680 | - | (8,454,889) |
| Total governmental activities | $ 84,615,913 | $ 8,103,171 | $ 60,005,560 | (16,507,182) |
| General Revenues and Subventions | | | | |
| Property taxes, levied for general purposes | | | | 20,835,372 |
| Taxes levied for other specific purposes | | | | 247,352 |
| Federal and State aid not restricted to specific purposes | | | | 4,905,050 |
| Interest and investment earnings | | | | (2,535,758) |
| Interagency revenues | | | | 131,809 |
| Miscellaneous | | | | 1,135,134 |
| Subtotal, general revenues and subventions | | | | 24,718,959 |
| Change in Net Position | | | | 8,211,777 |
| Net Position - Beginning, as restated | | | | 17,027,148 |
| Net Position - Ending | | | | $ 25,238,925 |

| | County School Service Fund | Child Development Fund | Special Reserve Fund for Capital Outlay Projects | Total Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Deposits and investments | $ 45,141,972 | $ 11,809,684 | $ 25,356,139 | $ 82,307,795 |
| Receivables | 5,971,250 | 3,422,518 | 1 | 9,393,769 |
| Due from other funds | 2,327,047 | 246,851 | 2,147,758 | 4,721,656 |
| Prepaid expenditures | 30,619 | 310 | 20,531 | 51,460 |
| Lease receivable | 178,060 | - | - | 178,060 |
| Total assets | $ 53,648,948 | $ 15,479,363 | $ 27,524,429 | $ 96,652,740 |
| **Liabilities, Deferred Inflows of Resources, and Fund Balances** | | | | |
| **Liabilities** | | | | |
| Accounts payable | $ 13,343,271 | $ 2,376,988 | $ 38,565 | $ 15,758,824 |
| Due to other funds | 2,394,609 | 2,324,933 | 2,114 | 4,721,656 |
| Unearned revenue | 3,528,507 | 7,818,406 | - | 11,346,913 |
| Total liabilities | 19,266,387 | 12,520,327 | 40,679 | 31,827,393 |
| **Deferred Inflows of Resources** | | | | |
| Deferred inflows of resources related to leases | 234,688 | - | - | 234,688 |
| **Fund Balances** | | | | |
| Nonspendable | 35,619 | 310 | 20,531 | 56,460 |
| Restricted | 13,121,252 | 1,757,382 | 558 | 14,879,192 |
| Assigned | - | 1,201,344 | 27,462,661 | 28,664,005 |
| Unassigned | 20,991,002 | - | - | 20,991,002 |
| Total fund balances | 34,147,873 | 2,959,036 | 27,483,750 | 64,590,659 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 53,648,948 | $ 15,479,363 | $ 27,524,429 | $ 96,652,740 |

| | | |
|---|---|---|
| Total Fund Balance - Governmental Funds | | $ 64,590,659 |
| Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. | | |
| The cost of capital assets is | $ 11,512,228 | |
| Accumulated depreciation is | (5,612,319) | |
| Net capital assets | | 5,899,909 |
| Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. | | |
| The cost of right-to-use leased assets is | 1,612,719 | |
| Accumulated amortization is | (248,382) | |
| Net right-to-use leased assets | | 1,364,337 |
| Deferred outflows of resources represent a consumption of net position in a future period and are not reported in the governmental funds. Deferred outflows of resources amounted to and related to | | |
| Net other postemployment benefits (OPEB) liability | 613,631 | |
| Aggregate net pension liability | 9,108,908 | |
| Total deferred outflows of resources | | 9,722,539 |
| Deferred inflows of resources represent an acquisition of net position that applies to a future period and are not reported in the governmental funds. Deferred inflows of resources amount to and related to | | |
| Net other postemployment benefits (OPEB) liability | (65,463) | |
| Aggregate net pension liability | (22,171,058) | |
| Total deferred inflows of resources | | (22,236,521) |
| Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. | | (31,699,035) |
| The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds. | | (970,585) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of | | |
| Leases | | (1,371,466) |
| Compensated absences (vacations) | | (60,912) |
| Total net position - governmental activities | | $ 25,238,925 |

| | County School Service Fund | Child Development Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Local Control Funding Formula | $ 25,195,524 | $ - | $ - | $ - | $ 25,195,524 |
| Federal sources | 1,283,072 | 21,710,505 | - | 48,206 | 23,041,783 |
| Other State sources | 10,930,451 | 9,687,428 | - | - | 20,617,879 |
| Other local sources | 26,191,565 | 33,619 | (897,646) | - | 25,327,538 |
| Total revenues | 63,600,612 | 31,431,552 | (897,646) | 48,206 | 94,182,724 |
| Expenditures | | | | | |
| Current | | | | | |
| Instruction | 19,023,331 | 1,866,248 | - | - | 20,889,579 |
| Instruction-related activities | | | | | |
| Supervision of instruction | 8,592,527 | 674,193 | - | - | 9,266,720 |
| Instructional library, media, and technology | 755,618 | - | - | - | 755,618 |
| School site administration | 2,041,991 | 1,220,964 | - | - | 3,262,955 |
| Pupil services | | | | | |
| Home-to-school transportation | 18,537 | - | - | - | 18,537 |
| Food services | 13,633 | 722,856 | - | - | 736,489 |
| All other pupil services | 7,503,610 | 8,258 | - | - | 7,511,868 |
| Administration | | | | | |
| Data processing | 2,875,847 | - | - | - | 2,875,847 |
| All other administration | 8,597,282 | 2,318,822 | - | - | 10,916,104 |
| Plant services | 1,840,438 | 7,313 | 91,085 | - | 1,938,836 |
| Community services | 615,898 | 24,894,910 | - | - | 25,510,808 |
| Other outgo | 8,458,594 | - | - | 40,975 | 8,499,569 |
| Enterprise services | 190,618 | - | - | - | 190,618 |
| Facility acquisition and construction | 112,836 | - | 967,101 | - | 1,079,937 |
| Debt service | | | | | |
| Principal | 168,032 | - | - | - | 168,032 |
| Interest and other | 18,589 | - | - | - | 18,589 |
| Total expenditures | 60,827,381 | 31,713,564 | 1,058,186 | 40,975 | 93,640,106 |
| Excess (Deficiency) of Revenues Over Expenditures | 2,773,231 | (282,012) | (1,955,832) | 7,231 | 542,618 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 7,231 | 246,851 | 2,147,758 | - | 2,401,840 |
| Other sources - proceeds from lease | 1,456,379 | - | - | - | 1,456,379 |
| Transfers out | (2,394,609) | - | - | (7,231) | (2,401,840) |
| Net Financing Sources (Uses) | (930,999) | 246,851 | 2,147,758 | (7,231) | 1,456,379 |
| Net Change in Fund Balances | 1,842,232 | (35,161) | 191,926 | - | 1,998,997 |
| Fund Balance - Beginning, as restated | 32,305,641 | 2,994,197 | 27,291,824 | - | 62,591,662 |
| Fund Balance - Ending | $ 34,147,873 | $ 2,959,036 | $ 27,483,750 | $ - | $ 64,590,659 |

| | | |
|---|---|---|
| Total Net Change in Fund Balances - Governmental Funds | | $ 1,998,997 |
| **Amounts Reported for Governmental Activities in the Statement of Activities are Different Because** | | |
| 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 and amortization expenses in the Statement of Activities. This is the amount by which capital outlay exceeds depreciation and amortization expenses in the period. | | |
| Capital outlay | $ 2,852,650 | |
| Depreciation and amortization expenses | (688,318) | |
| Net expense adjustment | | 2,164,332 |
| Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. | | (16,573) |
| The right to use leased assets were financed with leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position. | | (1,456,379) |
| 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. | | (15,799) |
| 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. | | 5,325,014 |
| 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. | | 44,153 |
| Payment of principal on lease liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. | | 168,032 |
| Change in net position of governmental activities | | $ 8,211,777 |

| | Custodial Funds |
|---|---|
| Assets | |
| Deposits and investments | $ 26,471,273 |
| Liabilities | |
| Due to other governments | $ 26,471,273 |

| | Custodial Funds |
|---|---|
| Additions | |
| Contributions | |
| Fund collected for others | $ 1,553,865,403 |
| Investment earnings | |
| Interest | 87,462 |
| Net decrease in the fair value of investments | (930,132) |
| Total investment earnings | (842,670) |
| Total additions | 1,553,022,733 |
| Deductions | |
| Fund distributed to others | 1,553,022,733 |
| Net 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") was established in the 1800's and became fiscally independent from the County of Santa Barbara on March 2, 1970. 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 20 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 $11,933,799 in fund balance.

**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*, except for depreciation and amortization of leased assets. 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.

The County records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

The County records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract.

**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, 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.

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 related to leases, for pension related items and for OPEB related items.

**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.

**Leases**

The County recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The County measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term.

The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

**Fund Balances - Governmental Funds**

As of June 30, 2022, 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 two 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, 2022. 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 $14,879,192 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. 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**

**Implementation of GASB Statement No. 87**

As of July 1, 2021, the County adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The standard requires 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. The effect of the implementation of this standard on beginning net position is disclosed in Note 16 and the additional disclosures required by this standard is included in Notes 4, 5, and 9.

**Implementation of GASB Statement No. 92**

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The provisions of this Statement have been implemented as of June 30, 2022.

**Implementation of GASB Statement No. 93**

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The provisions of this Statement have been implemented as of June 30, 2022.

## Note 2 - Deposits and Investments

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

| | |
|---|---|
| Governmental funds | $ 82,307,795 |
| Fiduciary funds | 26,471,273 |
| Total deposits and investments | $ 108,779,068 |

Deposits and investments as of June 30, 2022, consist of the following:

| | |
|---|---|
| Cash in revolving | $ 5,000 |
| Investments | 108,774,068 |
| Total deposits and investments | $ 108,779,068 |

**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 $108,774,068 with the Santa Barbara County Treasury Investment Pool. This investment has an average weighted maturity of 644 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, 2022.

**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, 2022, the County's bank balance of $5,000 was not exposed to custodial credit risk because it was fully insured.

## Note 3 - Receivables

Receivables at June 30, 2022, 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 | $ 612,488 | $ 2,337,047 | $ - | $ 2,949,535 |
| State Government | | | | |
| LCFF apportionment | 407,580 | - | - | 407,580 |
| Categorical aid | 1,781,847 | 882,278 | - | 2,664,125 |
| Special education | 1,414,210 | - | - | 1,414,210 |
| Local Government | | | | |
| Interest | 120,501 | 24,171 | 1 | 144,673 |
| Other local sources | 1,634,624 | 179,022 | - | 1,813,646 |
| Total | $ 5,971,250 | $ 3,422,518 | $ 1 | $ 9,393,769 |

## Note 4 - Capital and Right-to-Use Leased Assets

Capital and right-to-use leased asset activity for the fiscal year ended June 30, 2022, was as follows:

| | Balance July 1, 2021 as restated | Additions | Deductions | Balance June 30, 2022 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 500,000 | $ - | $ - | $ 500,000 |
| Construction in progress | 1,239,874 | 829,405 | (1,469,451) | 599,828 |
| Total capital assets not being depreciated | 1,739,874 | 829,405 | (1,469,451) | 1,099,828 |
| Capital assets being depreciated | | | | |
| Land improvements | 86,978 | - | (6,400) | 80,578 |
| Buildings and improvements | 3,986,189 | 1,515,619 | (8,028) | 5,493,780 |
| Furniture and equipment | 4,486,630 | 520,698 | (169,286) | 4,838,042 |
| Total capital assets being depreciated | 8,559,797 | 2,036,317 | (183,714) | 10,412,400 |
| Total capital assets | 10,299,671 | 2,865,722 | (1,653,165) | 11,512,228 |
| Accumulated depreciation | | | | |
| Land improvements | (80,670) | (517) | 6,400 | (74,787) |
| Buildings and improvements | (1,704,698) | (154,078) | 8,028 | (1,850,748) |
| Furniture and equipment | (3,481,624) | (357,873) | 152,713 | (3,686,784) |
| Total accumulated depreciation | (5,266,992) | (512,468) | 167,141 | (5,612,319) |
| Net depreciable capital assets | 3,292,805 | 1,523,849 | (16,573) | 4,800,081 |
| Right-to-use leased assets being amortized | | | | |
| Buildings and improvements | - | 1,363,028 | - | 1,363,028 |
| Furniture and equipment | 156,340 | 93,351 | - | 249,691 |
| Total right-to-use leased assets being amortized | 156,340 | 1,456,379 | - | 1,612,719 |
| Accumulated amortization | | | | |
| Buildings and improvements | - | (136,303) | - | (136,303) |
| Furniture and equipment | (72,532) | (39,547) | - | (112,079) |
| Total accumulated amortization | (72,532) | (175,850) | - | (248,382) |
| Net right-to-use leased assets | 83,808 | 1,280,529 | - | 1,364,337 |
| Governmental activities capital assets and right-to-use leased assets, net | $ 5,116,487 | $ 3,633,783 | $ (1,486,024) | $ 7,264,246 |

Depreciation and amortization expenses were charged to governmental functions as follows:

| | |
|---|---|
| Governmental Activities | |
| Instruction | $ 256,234 |
| Data processing | 35,873 |
| All other administration | 211,723 |
| Plant services | 184,488 |
| Total depreciation and amortization expenses governmental activities | $ 688,318 |

## Note 5 - Lease Receivable

The County has entered into a lease agreement. The lease receivable is summarized below:

| Lease Receivable | Outstanding July 1, 2021 as restated | Addition | Deletion | Outstanding June 30, 2022 |
|---|---|---|---|---|
| Hope Center, SBFTCU | $ 234,977 | $ - | $ (56,917) | $ 178,060 |

**Hope Center, Santa Barbara Federal Teachers Credit Union**

The County leases a portion of its facilities at the Hope Center to the Santa Barbara Federal Teachers Credit Union. The lease is for a term of five years, beginning July 1, 2015, with an option to extend an additional five years. The agreement allows for annual adjustments to the monthly rate which shall be based on the Consumer Price Index for the Los Angeles-Riverside-Orange County, California, All Items Index. The initial monthly rental price was $4,279 per month. As of July 1, 2021, the monthly rental price was $4,873, increasing to $5,107 per month on October 1, 2021.

During the fiscal year, the County recognized $56,917 in lease revenues related to this agreement. At June 30, 2022, the County recorded $178,060 in lease receivables and $234,688 in deferred inflows of resources. The County used an interest rate of 2.09% to calculate the present value of the lease, based on rates available to finance real estate over the same time period.

## Note 6 - 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, 2022, between major governmental funds are as follows:

| | Due From | | | |
|---|---|---|---|---|
| Due To | County School Service Fund | Child Development Fund | Special Reserve Fund for Capital Outlay Projects | Total |
| County School Service Fund | $ - | $ 2,324,933 | $ 2,114 | $ 2,327,047 |
| Child Development Fund | 246,851 | - | - | 246,851 |
| Special Reserve Fund for Capital Outlay Projects | 2,147,758 | - | - | 2,147,758 |
| Total | $ 2,394,609 | $ 2,324,933 | $ 2,114 | $ 4,721,656 |

The balance of $2,324,933 due to the County School Service Fund from the Child Development Fund resulted from payroll and indirect cost charges.

The balance of $2,114 due to the County School Service Fund from the Special Reserve Fund for Capital Outlay Projects resulted from the correction of a prior transaction

The balance of $246,851 due to the Child Development Fund from the County School Service Fund resulted from a program balance adjustment transfer.

The balance of $2,147,758 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, 2022, consisted of the following:

| | Transfer From | | |
|---|---|---|---|
| Transfer To | County School Service Fund | Non-Major Governmental Funds | Total |
| County School Service Fund | $ - | $ 7,231 | $ 7,231 |
| Child Development Fund | 246,851 | - | 246,851 |
| Special Reserve Fund for Capital Outlay Projects | 2,147,758 | - | 2,147,758 |
| Total | $ 2,394,609 | $ 7,231 | $ 2,401,840 |

| | |
|---|---|
| The County School Service Fund transferred program funds to the Child Development Fund. | $ 246,851 |
| The County School Service Fund transferred to the Special Reserve Fund for Capital Outlay Projects for future capital outlay purposes. | 2,147,758 |
| The Forest Reserve Non-Major Governmental Fund transferred to the County School Service Fund for the County Education Office's portion of the grant. | 7,231 |
| Total | $ 2,401,840 |

## Note 7 - Accounts Payable

Accounts payable at June 30, 2022, consisted of the following:

| | County School Service Fund | Child Development Fund | Special Reserve Fund for Capital Outlay Projects | Total |
|---|---|---|---|---|
| LCFF apportionment | $ 8,102,658 | $ - | $ - | $ 8,102,658 |
| Due to other governments | 2,066,764 | - | - | 2,066,764 |
| Property tax transfer | 956,126 | - | - | 956,126 |
| Services and supplies | 930,672 | 2,355,926 | - | 3,286,598 |
| Salaries and benefits | 285,636 | 21,062 | - | 306,698 |
| Other vendor payables | 1,001,415 | - | - | 1,001,415 |
| Construction | - | - | 38,565 | 38,565 |
| Total | $ 13,343,271 | $ 2,376,988 | $ 38,565 | $ 15,758,824 |

## Note 8 - Unearned Revenue

Unearned revenue at June 30, 2022, consists of the following:

| | County School Service Fund | Child Development Fund | Total |
|---|---|---|---|
| Federal financial assistance | $ 267,810 | $ 2,981,820 | $ 3,249,630 |
| State categorical aid | 2,318,219 | 4,836,586 | 7,154,805 |
| Other local | 942,478 | - | 942,478 |
| Total | $ 3,528,507 | $ 7,818,406 | $ 11,346,913 |

## Note 9 - 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, 2021 as restated | Additions | Deductions | Balance June 30, 2022 | Due in One Year |
|---|---|---|---|---|---|
| Long-Term Liabilities | | | | | |
| Compensated absences | $ 45,113 | $ 15,799 | $ - | $ 60,912 | $ - |
| Leases | 83,119 | 1,456,379 | (168,032) | 1,371,466 | 304,434 |
| Total | $ 128,232 | $ 1,472,178 | $ (168,032) | $ 1,432,378 | $ 304,434 |

### Compensated Absences

Compensated absences (unpaid employee vacation) for the County at June 30, 2022, amounted to $60,912. The leases and compensated absences will be paid by the County School Service Fund.

**Leases**

The County has entered into agreements to lease various facilities and equipment. The County's liability on lease agreements is summarized below:

| Lease | Leases Outstanding July 1, 2021 as restated | Addition | Payments | Leases Outstanding June 30, 2022 |
|---|---|---|---|---|
| Wells Fargo-27 | $ 3,431 | $ - | $ (2,560) | $ 871 |
| Wells Fargo-28 | 2,084 | - | (1,555) | 529 |
| Wells Fargo-29 | 2,961 | - | (1,335) | 1,626 |
| Wells Fargo-33 | 37,041 | - | (10,855) | 26,186 |
| Wells Fargo-34 | 9,426 | - | (2,575) | 6,851 |
| Wells Fargo-35 | 5,393 | - | (1,401) | 3,992 |
| Wells Fargo-36 | 5,084 | - | (1,314) | 3,770 |
| Wells Fargo-38 | 5,648 | - | (1,311) | 4,337 |
| Wells Fargo-39 | 4,917 | - | (1,075) | 3,842 |
| Wells Fargo-40 | - | 37,380 | (4,167) | 33,213 |
| Wells Fargo-41 | - | 6,952 | (998) | 5,954 |
| Xerox | 3,311 | - | (3,311) | - |
| Canon | - | 49,019 | (2,321) | 46,698 |
| Marlin | 3,823 | - | (3,266) | 557 |
| Farnel Road | - | 1,363,028 | (129,988) | 1,233,040 |
| Total | $ 83,119 | $ 1,456,379 | $ (168,032) | $ 1,371,466 |

**Wells Fargo - 27**

The County entered into an agreement to lease copiers for five years, beginning October 30, 2017. Under the terms of the lease, the County makes monthly payments of $219, which amounted to total principal and interest costs of $13,140. The annual interest rate charged on the lease is 2.98%. At June 30, 2022, the County has recognized a right-to-use asset of $1,219 and a lease liability of $871 related to this agreement. During the fiscal year, the County recorded $2,438 in amortization expense and $68 in interest expense for the right-to-use the copiers.

**Wells Fargo - 28**

The County entered into an agreement to lease copiers for five years, beginning October 30, 2017. Under the terms of the lease, the County makes monthly payments of $133, which amounted to total principal and interest costs of $7,980. The annual interest rate charged on the lease is 2.98%. At June 30, 2022, the County has recognized a right-to-use asset of $740 and a lease liability of $529 related to this agreement. During the fiscal year, the County recorded $2,439 in amortization expense and $41 in interest expense for the right-to-use the copiers.

**Wells Fargo - 29**

The County entered into an agreement to lease copiers for five years, beginning August 15, 2018. Under the terms of the lease, the County makes monthly payments of $119, which amounted to total principal and interest costs of $7,140. The annual interest rate charged on the lease is 3.95%. At June 30, 2022, the County has recognized a right-to-use asset of $1,941 and a lease liability of $1,626 related to this agreement. During the fiscal year, the County recorded $1,294 in amortization expense and $93 in interest expense for the right-to-use the copiers.

**Wells Fargo - 33**

The County entered into an agreement to lease copiers for five years, beginning October 14, 2019. Under the terms of the lease, the County makes monthly payments of $958, which amounted to total principal and interest costs of $57,480. The annual interest rate charged on the lease is 2.00%. At June 30, 2022, the County has recognized a right-to-use asset of $27,328 and a lease liability of $26,186 related to this agreement. During the fiscal year, the County recorded $10,931 in amortization expense and $641 in interest expense for the right-to-use the copiers.

**Wells Fargo - 34**

The County entered into an agreement to lease copiers for five years, beginning December 19, 2019. Under the terms of the lease, the County makes monthly payments of $239, which amounted to total principal and interest costs of $14,340. The annual interest rate charged on the lease is 3.55%. At June 30, 2022, the County has recognized a right-to-use asset of $6,561 and a lease liability of $6,851 related to this agreement. During the fiscal year, the County recorded $2,624 in amortization expense and $293 in interest expense for the right-to-use the copiers.

**Wells Fargo - 35**

The County entered into an agreement to lease copiers for five years, beginning February 20, 2020. Under the terms of the lease, the County makes monthly payments of $131, which amounted to total principal and interest costs of $7,860. The annual interest rate charged on the lease is 3.59%. At June 30, 2022, the County has recognized a right-to-use asset of $3,593 and a lease liability of $3,992 related to this agreement. During the fiscal year, the County recorded $1,437 in amortization expense and $171 in interest expense for the right-to-use the copiers.

**Wells Fargo - 36**

The County entered into an agreement to lease copiers for five years, beginning March 12, 2020. Under the terms of the lease, the County makes monthly payments of $118, which amounted to total principal and interest costs of $7,080. The annual interest rate charged on the lease is 2.59%. At June 30, 2022, the County has recognized a right-to-use asset of $3,342 and a lease liability of $3,770 related to this agreement. During the fiscal year, the County recorded $1,337 in amortization expense and $102 in interest expense for the right-to-use the copiers.

**Wells Fargo - 38**

The County entered into an agreement to lease copiers for five years, beginning August 10, 2020. Under the terms of the lease, the County makes monthly payments of $113, which amounted to total principal and interest costs of $7,980. The annual interest rate charged on the lease is 2.07%. At June 30, 2022, the County has recognized a right-to-use asset of $4,704 and a lease liability of $4,337 related to this agreement. During the fiscal year, the County recorded $1,344 in amortization expense and $105 in interest expense for the right-to-use the copiers.

**Wells Fargo - 39**

The County entered into an agreement to lease copiers for five years, beginning November 9, 2020. Under the terms of the lease, the County makes monthly payments of $97, which amounted to total principal and interest costs of $5,820. The annual interest rate charged on the lease is 2.04%. At June 30, 2022, the County has recognized a right-to-use asset of $3,874 and a lease liability of $3,842 related to this agreement. During the fiscal year, the County recorded $1,107 in amortization expense and $90 in interest expense for the right-to-use the copiers.

**Wells Fargo - 40**

The County entered into an agreement to lease copiers for five years, beginning November 24, 2021. Under the terms of the lease, the County makes monthly payments of $656, which amounted to total principal and interest costs of $39,360. The annual interest rate charged on the lease is 2.05%. At June 30, 2022, the County has recognized a right-to-use asset of $33,642 and a lease liability of $33,213 related to this agreement. During the fiscal year, the County recorded $3,738 in amortization expense and $425 in interest expense for the right-to-use the copiers.

**Wells Fargo – 41**

The County entered into an agreement to lease copiers for five years, beginning September 13, 2021. Under the terms of the lease, the County makes monthly payments of $122, which amounted to total principal and interest costs of $7,320. The annual interest rate charged on the lease is 2.05%. At June 30, 2022, the County has recognized a right-to-use asset of $6,257 and a lease liability of $5,954 related to this agreement. During the fiscal year, the County recorded $695 in amortization expense and $100 in interest expense for the right-to-use the copiers.

**Xerox**

The County entered into an agreement to lease copiers for five years, beginning January 30, 2017. Under the terms of the lease, the County makes monthly payments of $477, which amounted to total principal and interest costs of $28,620. The annual interest rate charged on the lease was 2.48%. At June 30, 2022, the lease had ended and the County has recognized no right-to-use asset or lease liability. During the fiscal year, the County recorded $2,689 in amortization expense and $28 in interest expense for the right-to-use the copiers.

**Canon**

The County entered into an agreement to lease copiers for five years, beginning March 4, 2022. Under the terms of the lease, the County makes monthly payments of $865, which amounted to total principal and interest costs of $51,900. The annual interest rate charged on the lease is 2.27%. At June 30, 2022, the County has recognized a right-to-use asset of $44,117 and a lease liability of $46,698 related to this agreement. During the fiscal year, the County recorded $4,902 in amortization expense and $274 in interest expense for the right-to-use the copiers.

**Marlin**

The County entered into an agreement to lease copiers for three years, beginning August 14, 2019. Under the terms of the lease, the County makes monthly payments of $280, which amounted to total principal and interest costs of $10,380. The annual interest rate charged on the lease is 4.01%. At June 30, 2022, the County has recognized a right-to-use asset of $294 and a lease liability of $557 related to this agreement. During the fiscal year, the County recorded $957 in amortization expense and $94 in interest expense for the right-to-use the copiers.

**Farnel Road, Santa Maria**

The County entered into an agreement to lease office space for five years, beginning December 1, 2021. Under the terms of the lease, the County makes monthly payments of $23,945, which amounted to total principal and interest costs of 1,436,700. The annual interest rate charged on the lease is 2.09%. At June 30, 2022, the County has recognized a right-to-use asset of $1,226,725 and a lease liability of $1,233,040 related to this agreement. During the fiscal year, the County recorded $136,303 in amortization expense and $13,679 in interest expense for the right-to-use the office space.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2022 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 304,434 | $ 25,946 | $ 330,380 |
| 2024 | 307,746 | 19,476 | 327,222 |
| 2025 | 304,037 | 12,971 | 317,008 |
| 2026 | 301,113 | 6,659 | 307,772 |
| 2027 | 154,136 | 962 | 155,098 |
| Total | $ 1,371,466 | $ 66,014 | $ 1,437,480 |

## Note 10 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2022, 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 | $ 828,496 | $ 613,631 | $ 65,463 | $ 112,466 |
| Medicare Premium Payment (MPP) Program | 142,089 | - | - | (24,290) |
| Total | $ 970,585 | $ 613,631 | $ 65,463 | $ 88,176 |

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, 2022, the valuation date, the Plan membership consisted of the following:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits payments | 11 |
| Active employees | 314 |
| Total | 325 |

### 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, 2022, the County paid $132,329 in benefits, of which $68,963 is due to the implied rate subsidy.

**Total OPEB Liability of the County**

The County's total OPEB liability of $828,496 was measured as of June 30, 2022, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2022.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.5% for 2022 |
| Salary increases | 2.75%, average, including inflation |
| Discount rate | 3.54% for 2022 |
| Healthcare cost trend rates | 4.00% for 2022 |

The discount rate was based on the Bond Buyer 20 bond 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, 2022 valuation were based on the results of an actual experience study for the period July 1, 2021 through June 30, 2022.

**Changes in the Total OPEB Liability**

| | Total OPEB Liability |
|---|---|
| Balance, June 30, 2021 | $ 953,694 |
| Service cost | 58,296 |
| Interest | 19,800 |
| Differences between expected and actual experience | (1,750) |
| Changes of assumptions or other inputs | (69,215) |
| Benefit payments | (132,329) |
| Net change in total OPEB liability | (125,198) |
| Balance, June 30, 2022 | $ 828,496 |

Changes of assumptions and other inputs reflect a change in the discount rate from 2.16% in 2021 to 3.54% in 2022, and a change in the inflation rate from 2.63% to 2.50% during that same period.

**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:

| Discount Rate | Total OPEB Liability |
|---|---|
| 1% decrease (2.54%) | $ 878,226 |
| Current discount rate (3.54%) | 828,496 |
| 1% increase (4.54%) | 781,356 |

**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:

| Healthcare Cost Trend Rates | Total OPEB Liability |
|---|---|
| 1% decrease (3.00%) | $ 752,885 |
| Current healthcare cost trend rate (4.00%) | 828,496 |
| 1% increase (5.00%) | 917,298 |

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

For the year ended June 30, 2022, the County recognized OPEB expense of $112,466. At June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 611,741 | $ 1,614 |
| Changes of assumptions | 1,890 | 63,849 |
| Total | $ 613,631 | $ 65,463 |

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the subsequent fiscal year. The remaining deferred outflows of resources and 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 | $ 65,202 |
| 2023 | 63,199 |
| 2024 | 63,199 |
| 2025 | 63,199 |
| 2026 | 63,199 |
| Thereafter | 230,170 |
| Total | $ 548,168 |

**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, 2020 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, 2022, the County reported a liability of $142,089 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021 and June 30, 2020, respectively, was 0.0356%, and 0.0341%, resulting in a net increase in the proportionate share of 0.0015%.

For the year ended June 30, 2022, the County recognized OPEB expense of $(24,290).

**Actuarial Methods and Assumptions**

The June 30, 2021 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

| | | |
|---|---|---|
| Measurement Date | June 30, 2021 | June 30, 2020 |
| Valuation Date | June 30, 2020 | June 30, 2019 |
| Experience Study | July 1, 2015 through June 30, 2018 | June 30,-2014 through June 30, 2018 |
| Actuarial Cost Method | Entry age normal | Entry age normal |
| Investment Rate of Return | 2.16% | 2.21% |
| Medicare Part A Premium Cost Trend Rate | 4.50% | 4.50% |
| Medicare Part B Premium Cost Trend Rate | 5.40% | 5.40% |

For the valuation as of June 30, 2020, 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 245 or an average of 0.16% of the potentially eligible population (152,062).

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, 2021, 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, 2021, is 2.16%. 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 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

**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:

| Discount Rate | Net OPEB Liability |
|---|---|
| 1% decrease (1.16%) | $ 156,621 |
| Current discount rate (2.16%) | 142,089 |
| 1% increase (3.16%) | 129,673 |

**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:

| Medicare Costs Trend Rate | Net OPEB Liability |
|---|---|
| 1% decrease (3.50% Part A and 4.40% Part B) | $ 129,213 |
| Current Medicare costs trend rate (4.50% Part A and 5.40% Part B) | 142,089 |
| 1% increase (5.50% Part A and 6.40% Part B) | 156,851 |

## Note 11 - 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 |
|---|---|---|---|---|
| Nonspendable | | | | |
| Revolving cash | $ 5,000 | $ - | $ - | $ 5,000 |
| Prepaid expenditures | 30,619 | 310 | 20,531 | 51,460 |
| Total nonspendable | 35,619 | 310 | 20,531 | 56,460 |
| Restricted | | | | |
| Legally restricted programs | 13,121,252 | 1,757,382 | - | 14,878,634 |
| Capital projects | - | - | 558 | 558 |
| Total restricted | 13,121,252 | 1,757,382 | 558 | 14,879,192 |
| Assigned | | | | |
| Child development | - | 1,201,344 | - | 1,201,344 |
| Capital projects | - | - | 27,462,661 | 27,462,661 |
| Total assigned | - | 1,201,344 | 27,462,661 | 28,664,005 |
| Unassigned | | | | |
| Reserve for economic uncertainties | 11,933,799 | - | - | 11,933,799 |
| Remaining unassigned | 9,057,203 | - | - | 9,057,203 |
| Total unassigned | 20,991,002 | - | - | 20,991,002 |
| Total | $ 34,147,873 | $ 2,959,036 | $ 27,483,750 | $ 64,590,659 |

## Note 12 - 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, 2022, information was not available that indicates that the County has an outstanding obligation for any calculated deficits. See Note 15 for additional information regarding the pools.

## Note 13 - 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, 2022, 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:

| Pension Plan | Net Pension Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|---|---|---|---|---|
| CalSTRS | $ 10,784,947 | $ 4,617,283 | $ 12,624,736 | $ 653,888 |
| CalPERS | 20,914,088 | 4,491,625 | 9,546,322 | 1,293,907 |
| Total | $ 31,699,035 | $ 9,108,908 | $ 22,171,058 | $ 1,947,795 |

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, 2020, 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, 2022, are summarized as follows:

| | STRP Defined Benefit Program | |
|---|---|---|
| | On or before | On or after |
| Hire date | December 31, 2012 | January 1, 2013 |
| Benefit formula | 2% at 60 | 2% at 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | Monthly for life | Monthly for life |
| Retirement age | 60 | 62 |
| Monthly benefits as a percentage of eligible compensation | 2.0% - 2.4% | 2.0% - 2.4% |
| Required employee contribution rate | 10.25% | 10.205% |
| Required employer contribution rate | 16.92% | 16.92% |
| Required state contribution rate | 10.828% | 10.828% |

**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, 2022, are presented above and the County's total contributions were $2,246,011.

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

At June 30, 2022, 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 | $ 10,784,947 |
| State's proportionate share of the net pension liability | 5,426,567 |
| Total | $ 16,211,514 |

The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, respectively, was 0.0237% and 0.0225%, resulting in a net increase in the proportionate share of 0.0012%.

For the year ended June 30, 2022, the County recognized pension expense of $653,888. In addition, the County recognized pension expense and revenue of $185,663 for support provided by the State. At June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 2,246,011 | $ - |
| Change in proportion and differences between contributions made and County's proportionate share of contributions | 816,142 | 2,945,823 |
| Differences between projected and actual earnings on pension plan investments | - | 8,531,170 |
| Differences between expected and actual experience in the measurement of the total pension liability | 27,017 | 1,147,743 |
| Changes of assumptions | 1,528,113 | - |
| Total | $ 4,617,283 | $ 12,624,736 |

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:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2023 | $ (2,166,405) |
| 2024 | (1,981,554) |
| 2025 | (2,030,730) |
| 2026 | (2,352,481) |
| Total | $ (8,531,170) |

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:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2023 | $ (707,166) |
| 2024 | (152,908) |
| 2025 | (523,161) |
| 2026 | (158,583) |
| 2027 | (159,887) |
| Thereafter | (20,589) |
| Total | $ (1,722,294) |

**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, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation date | June 30, 2020 |
| Measurement date | June 30, 2021 |
| 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 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 current and future valuation, CalSTRS' independent 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, 2021, 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 of 7.10% and assume 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:

| Discount Rate | Net Pension Liability |
|---|---|
| 1% decrease (6.10%) | $ 21,954,291 |
| Current discount rate (7.10%) | 10,784,947 |
| 1% increase (8.10%) | 1,514,604 |

**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, 2020 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, 2022, are summarized as follows:

| | School Employer Pool (CalPERS) | |
|---|---|---|
| | On or before | On or after |
| Hire date | December 31, 2012 | January 1, 2013 |
| 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 | 22.910% | 22.910% |

**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, 2022, are presented above and the total County contributions were $3,719,022.

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

As of June 30, 2022, the County reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $20,914,088. The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, respectively, was 0.1029% and 0.1022%, resulting in a net increase in the proportionate share of 0.0007%.

For the year ended June 30, 2022, the County recognized pension expense of $1,293,907. At June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 3,719,022 | $ - |
| Change in proportion and differences between contributions made and County's proportionate share of contributions | 148,264 | 1,470,814 |
| Differences between projected and actual earnings on pension plan investments | - | 8,026,205 |
| Differences between expected and actual experience in the measurement of the total pension liability | 624,339 | 49,303 |
| Total | $ 4,491,625 | $ 9,546,322 |

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:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|---|---|
| 2023 | $ (2,012,965) |
| 2024 | (1,851,102) |
| 2025 | (1,929,894) |
| 2026 | (2,232,244) |
| Total | $ (8,026,205) |

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 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 |
|---|---|
| 2023 | $ (281,114) |
| 2024 | (451,300) |
| 2025 | (18,292) |
| 2026 | 3,192 |
| Total | $ (747,514) |

**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, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation date | June 30, 2020 |
| Measurement date | June 30, 2021 |
| 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:

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| 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:

| Discount Rate | Net Pension Liability |
|---|---|
| 1% decrease (6.15%) | $ 35,264,089 |
| Current discount rate (7.15%) | 20,914,088 |
| 1% increase (8.15%) | 9,000,508 |

**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 $1,524,124 (10.828% 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 14 - 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, 2022.

**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, 2022.

## Note 15 - 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, 2022, the County made payments of $51,588, $8,573,413, and $464,643 to SISC II, SISC III, and SIPE, respectively, for services received.

## Note 16 - Adoption of New Accounting Standard - Restatement of Prior Year Net Position and Fund Balance

As of July 1, 2021, the County adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The Statement requires 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. Beginning net position and fund balance were restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

| | |
|---|---|
| General Fund | |
| Fund Balance - Beginning, as previously reported on June 30, 2021 | $ 32,305,641 |
| Lease receivable | 234,977 |
| Deferred inflows of resources related to leases | (234,977) |
| Fund Balance - Beginning, as restated on July 1, 2021 | $ 32,305,641 |
| Governmental Activities | |
| Net Position - Beginning, as previously reported on June 30, 2021 | $ 17,026,459 |
| Lease receivable | 234,977 |
| Right-to-use leased asset | 83,808 |
| Lease liability | (83,119) |
| Deferred inflows of resources related to leases | (234,977) |
| Net Position - Beginning, as restated on July 1, 2021 | $ 17,027,148 |

Required Supplementary Information
June 30, 2022

# Santa Barbara County Education Office

| | Budgeted Amounts | | | Variances - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | Final to Actual |
| **Revenues** | | | | |
| Local Control Funding Formula | $ 23,808,145 | $ 24,663,305 | $ 25,195,524 | $ 532,219 |
| Federal sources | 2,008,153 | 2,233,748 | 1,283,072 | (950,676) |
| Other State sources | 7,927,963 | 9,985,826 | 10,930,451 | 944,625 |
| Other local sources | 27,529,776 | 29,095,344 | 26,191,565 | (2,903,779) |
| Total revenues [1] | 61,274,037 | 65,978,223 | 63,600,612 | (2,377,611) |
| **Expenditures** | | | | |
| Current | | | | |
| Certificated salaries | 13,832,241 | 13,651,583 | 13,049,463 | 602,120 |
| Classified salaries | 15,167,567 | 15,236,393 | 14,510,887 | 725,506 |
| Employee benefits | 15,611,707 | 14,599,927 | 13,835,969 | 763,958 |
| Books and supplies | 899,458 | 1,162,158 | 927,413 | 234,745 |
| Services and operating expenditures | 10,517,963 | 13,669,526 | 10,121,322 | 3,548,204 |
| Other outgo | 404,045 | 625,553 | 6,139,770 | (5,514,217) |
| Capital outlay | 5,052,621 | 5,446,063 | 2,055,936 | 3,390,127 |
| Debt service | | | | |
| Debt service - principal | - | - | 168,032 | (168,032) |
| Debt service - interest and other | - | - | 18,589 | (18,589) |
| Total expenditures [1] | 61,485,602 | 64,391,203 | 60,827,381 | 3,563,822 |
| Excess (Deficiency) of Revenues Over Expenditures | (211,565) | 1,587,020 | 2,773,231 | 1,186,211 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | 6,020 | 6,020 | 7,231 | 1,211 |
| Other sources - proceeds from lease | - | - | 1,456,379 | 1,456,379 |
| Transfers out | (2,845,893) | (2,845,893) | (2,394,609) | 451,284 |
| Net Financing Sources (Uses) | (2,839,873) | (2,839,873) | (930,999) | 1,908,874 |
| Net Change in Fund Balances | (3,051,438) | (1,252,853) | 1,842,232 | 3,095,085 |
| Fund Balance - Beginning, as restated | 32,305,641 | 32,305,641 | 32,305,641 | - |
| Fund Balance - Ending | $ 29,254,203 | $ 31,052,788 | $ 34,147,873 | $ 3,095,085 |

[1] 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.

| | Budgeted Amounts | | | Variances - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | Final to Actual |
| Revenues | | | | |
| Federal sources | $ 12,165,360 | $ 22,901,297 | $ 21,710,505 | $ (1,190,792) |
| Other State sources | 13,048,750 | 10,951,815 | 9,687,428 | (1,264,387) |
| Other local sources | 628,061 | 421,597 | 33,619 | (387,978) |
| Total revenues | 25,842,171 | 34,274,709 | 31,431,552 | (2,843,157) |
| Expenditures | | | | |
| Current | | | | |
| Certificated salaries | 1,400,560 | 1,354,974 | 1,304,105 | 50,869 |
| Classified salaries | 1,618,153 | 1,860,345 | 1,811,006 | 49,339 |
| Employee benefits | 1,987,488 | 2,034,362 | 1,930,931 | 103,431 |
| Books and supplies | 165,032 | 234,893 | 202,151 | 32,742 |
| Services and operating expenditures | 19,039,503 | 26,348,001 | 24,118,077 | 2,229,924 |
| Other outgo | 1,885,225 | 2,516,268 | 2,132,201 | 384,067 |
| Capital outlay | 14,500 | 48,236 | 28,472 | 19,764 |
| Debt service | | | | |
| Debt service - principal | - | - | 168,032 | (168,032) |
| Debt service - interest | - | - | 18,589 | (18,589) |
| Total expenditures | 26,110,461 | 34,397,079 | 31,713,564 | 2,683,515 |
| Excess (Deficiency) of Revenues Over Expenditures | (268,290) | (122,370) | (282,012) | (159,642) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 372,023 | 372,023 | 246,851 | (125,172) |
| Net Change in Fund Balances | 103,733 | 249,653 | (35,161) | (284,814) |
| Fund Balance - Beginning | 2,994,197 | 2,994,197 | 2,994,197 | - |
| Fund Balance - Ending | $ 3,097,930 | $ 3,243,850 | $ 2,959,036 | $ (284,814) |

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Total OPEB Liability | | | | | |
| Service cost | $ 58,296 | $ 56,373 | $ 2,066 | $ 2,006 | $ 2,749 |
| Interest | 19,800 | 21,244 | 7,181 | 72 | 106 |
| Difference between expected and actual experience | (1,750) | - | 815,268 | (118,214) | 12,033 |
| Changes of assumptions | (69,215) | 2,272 | - | (5,126) | - |
| Benefit payments | (132,329) | (127,331) | (55,011) | (87,512) | (135,087) |
| Net change in total OPEB liability | (125,198) | (47,442) | 769,504 | (208,774) | (120,199) |
| Total OPEB Liability - Beginning | 953,694 | 1,001,136 | 231,632 | 440,406 | 560,605 |
| Total OPEB Liability - Ending | $ 828,496 | $ 953,694 | $ 1,001,136 | $ 231,632 | $ 440,406 |
| Covered Payroll | N/A[1] | N/A[1] | N/A[1] | N/A[1] | N/A[1] |
| Total OPEB Liability as a Percentage of Covered Payroll | N/A[1] | N/A[1] | N/A[1] | N/A[1] | N/A[1] |
| Measurement Date | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |

[1] 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.

| Year ended June 30, | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Proportion of the net OPEB liability | 0.0356% | 0.0341% | 0.0417% | 0.0413% | 0.0475% |
| Proportionate share of the net OPEB liability | $ 142,089 | $ 166,379 | $ 155,282 | $ 158,149 | $ 199,685 |
| Covered payroll | N/A[1] | N/A[1] | N/A[1] | N/A[1] | N/A[1] |
| Proportionate share of the net OPEB liability as a percentage of it's covered payroll | N/A[1] | N/A[1] | N/A[1] | N/A[1] | N/A[1] |
| Plan fiduciary net position as a percentage of the total OPEB liability | (0.80%) | (0.71%) | (0.81%) | (0.40%) | 0.01% |
| Measurement Date | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |

[1] 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.

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| **CalSTRS** | | | | | | | | |
| Proportion of the net pension liability | 0.0237% | 0.0225% | 0.0236% | 0.0230% | 0.0262% | 0.0292% | 0.0340% | 0.0343% |
| Proportionate share of the net pension liability | $ 10,784,947 | $ 21,835,083 | $ 21,288,721 | $ 21,156,279 | $ 24,245,483 | $ 23,576,845 | $ 22,899,487 | $ 20,021,380 |
| State's proportionate share of the net pension liability | 5,426,567 | 11,255,988 | 11,614,419 | 12,112,959 | 14,343,423 | 13,421,877 | 12,111,304 | 12,089,774 |
| Total | $ 16,211,514 | $ 33,091,071 | $ 32,903,140 | $ 33,269,238 | $ 38,588,906 | $ 36,998,722 | $ 35,010,791 | $ 32,111,154 |
| Covered payroll | $ 12,764,495 | $ 12,253,158 | $ 12,624,889 | $ 12,645,412 | $ 13,963,752 | $ 15,518,108 | $ 15,541,351 | 15,315,979 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 84.49% | 178.20% | 168.63% | 167.30% | 173.63% | 151.93% | 147.35% | 130.72% |
| Plan fiduciary net position as a percentage of the total pension liability | 87% | 72% | 73% | 71% | 69% | 70% | 74% | 77% |
| Measurement Date | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| **CalPERS** | | | | | | | | |
| Proportion of the net pension liability | 0.1029% | 0.1022% | 0.1084% | 0.1112% | 0.1149% | 0.1292% | 0.1546% | 0.1760% |
| Proportionate share of the net pension liability | $ 20,914,088 | $ 31,349,820 | $ 31,580,756 | $ 29,651,897 | $ 27,435,257 | $ 25,526,156 | $ 22,787,829 | $ 19,980,319 |
| Covered payroll | $ 14,773,126 | $ 14,730,962 | $ 14,811,975 | $ 14,672,442 | $ 15,146,587 | $ 15,688,225 | $ 16,834,560 | 18,083,223 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 141.57% | 212.82% | 213.21% | 202.09% | 181.13% | 162.71% | 135.36% | 110.49% |
| Plan fiduciary net position as a percentage of the total pension liability | 81% | 70% | 70% | 71% | 72% | 74% | 79% | 83% |
| Measurement Date | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |

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

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| **CalSTRS** | | | | | | | | |
| Contractually required contribution | $ 2,246,011 | $ 2,061,466 | $ 2,095,290 | $ 2,055,332 | $ 1,824,733 | $ 1,756,640 | $ 1,665,093 | $ 1,380,072 |
| Less contributions in relation to the contractually required contribution | 2,246,011 | 2,061,466 | 2,095,290 | 2,055,332 | 1,824,733 | 1,756,640 | 1,665,093 | 1,380,072 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 13,274,297 | $ 12,764,495 | $ 12,253,158 | $ 12,624,889 | $ 12,645,412 | $ 13,963,752 | $ 15,518,108 | $ 15,541,351 |
| Contributions as a percentage of covered payroll | 16.92% | 16.15% | 17.10% | 16.28% | 14.43% | 12.58% | 10.73% | 8.88% |
| **CalPERS** | | | | | | | | |
| Contractually required contribution | $ 3,719,022 | $ 3,058,037 | $ 2,905,093 | $ 2,675,339 | $ 2,278,777 | $ 2,103,558 | $ 1,858,584 | $ 1,981,596 |
| Less contributions in relation to the contractually required contribution | 3,719,022 | 3,058,037 | 2,905,093 | 2,675,339 | 2,278,777 | 2,103,558 | 1,858,584 | 1,981,596 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll | $ 16,233,182 | $ 14,773,126 | $ 14,730,962 | $ 14,811,975 | $ 14,672,442 | $ 15,146,587 | $ 15,688,225 | $ 16,834,560 |
| Contributions as a percentage of covered payroll | 22.910% | 20.700% | 19.721% | 18.062% | 15.531% | 13.888% | 11.847% | 11.771% |

*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 2.16% in 2021 to 3.54% in 2022, and a change in the inflation rate from 2.63% to 2.50% during that same period.

**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 2.21% to 2.16% 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 the County's 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, 2022

# Santa Barbara County Education Office

| Federal Grantor/Pass-Through Grantor/Program | Federal Financial Assistance Listing Number | Pass-Through Entity Identifying Number | Program Expenditures | Amounts Passed Through to Subrecipeints |
|---|---|---|---|---|
| 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 | $ 154,988 | $ - |
| Preschool Grants, Part B, Sec 619 | 84.173 | 13430 | 8,382 | - |
| Total Special Education (IDEA) Cluster | | | 163,370 | - |
| Title I, Part D - Local Delinquent Programs | 84.010 | 14357 | 320,638 | - |
| School Improvement (CSI) Funding for COEs | 84.010 | 15439 | 77,290 | - |
| Subtotal | | | 397,928 | - |
| Early Intervention Grants, Part C | 84.181 | 23761 | 127,331 | - |
| Title IX, Homeless Children Education (Stewart McKinney) | 84.196 | 14332 | 318,228 | - |
| Title II, Part A - Supporting Effective Instruction | 84.367 | 14341 | 3,813 | - |
| COVID-19 Education Stabilization Fund | | | | |
| COVID-19 Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation | 84.425C | 15517 | 149,924 | - |
| COVID-19 American Rescue Plan - Homeless Children and Youth (ARP - Homeless) | 84.425W | 15564 | 114,782 | - |
| Total COVID-19 Education Stabilization Fund | | | 264,706 | - |
| Total U.S. Department of Education | | | 1,275,376 | - |
| U.S. Department of Agriculture | | | | |
| Passed through CDE | | | | |
| Child Nutrition Cluster | | | | |
| National School Lunch | 10.555 | 13396 | 7,082 | - |
| Total Child Nutrition Cluster | | | 7,082 | - |
| Forest Service Schools and Roads Cluster | | | | |
| Forest Reserve | 10.665 | 10044 | 48,206 | 40,975 |
| Total Forest Service Schools and Roads Cluster | | | 48,206 | 40,975 |
| Passed Through California Department of Social Services | | | | |
| Child and Adult Care Food Program | 10.558 | 13666 | 549,851 | - |
| CCFP Cash in Lieu of Commodities | 10.558 | 13389 | 1,142 | - |
| CCFP Family Day Care Sponsor Admin | 10.558 | 13665 | 68,040 | - |
| CACFP COVID-19 Emergency Operational Costs Reimbursement (ECR) | 10.558 | 15577 | 8,627 | - |
| Total Child and Adult Care Food Program | | | 627,660 | - |
| Pandemic Electronic Benefit Transfer Local Administrative Cost Grant | 10.649 | 15644 | 616 | - |
| Subtotal | | | 628,276 | - |
| Total U.S. Department of Agriculture | | | 683,564 | 40,975 |

| Federal Grantor/Pass-Through Grantor/Program | Federal Financial Assistance Listing Number | Pass-Through Entity Identifying Number | Program Expenditures | Amounts Passed Through to Subrecipeints |
|---|---|---|---|---|
| U.S. Department of Health and Human Services | | | | |
| Passed through CDE | | | | |
| Child Care and Development Fund Block Grant Cluster | | | | |
| Federal Alternative Payment | 93.596 | 13694, 14153 & 15400 | $ 4,291,769 | $ - |
| Quality Counts California Workforce Pathways Grant | 93.575 | 15534 & 24130 | 104,180 | - |
| Quality Counts California Block Grant | 93.575 | 24130 & 24092 | 155,683 | - |
| Local Planning Councils | 93.575 | 13946 | 54,490 | - |
| Federal Alternative Payment, Stage 2 | 93.575 | 15551, 15558 & 15554 | 1,375,405 | - |
| Federal Alternative Payment, Stage 2 | 93.575 | 14178 | 703,358 | - |
| Federal Alternative Payment, Stage 3 | 93.575 | 14040 | 5,404 | - |
| Federal Alternative Payment, Stage 3 | 93.575 | 13881 | 1,505,893 | - |
| Federal Alternative Payment, Stage 3 | 93.575 | 14984 | 13,072 | - |
| Federal Alternative Payment, Stage 3 | 93.575 | 15452 | 168,912 | - |
| COVID-19 CARES Act Federal Alternative Payment | 93.575 | 15511 | 7,549,802 | - |
| COVID-19 CARES Act Federal Alternative Payment, Sta | 93.575 | 15513 | 988 | - |
| Federal General Child Care and Development | 93.575 | 13609 & 15136 | 82,081 | - |
| COVID-19 Child Development: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) | 93.575 | 15554 | 3,135,554 | - |
| COVID-19 ARP California State Preschool Program One-time Stipend | 93.575 | 15640 | 1,066,590 | - |
| Federal Alternative Payment | 93.575 | 14551 | 758,257 | - |
| COVID-19 Coronavirus Response and Relief Supplemental Appropriations (CRSSA) Act - One-Time Stipend | 93.575 | 15555 | 2,205 | - |
| Subtotal | | | 16,681,874 | - |
| Total Child Care and Development Fund Block Grant Cluster | | | 20,973,643 | - |
| Total U.S. Department of Health and Human Services | | | 20,973,643 | - |
| Total Federal Financial Assistance | | | $ 22,932,583 | $ 40,975 |

**ORGANIZATION**

The Santa Barbara County Education Office (the County) was established in the 1800's and became fiscally independent from the County of Santa Barbara on March 2, 1970. The County 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 20 school districts and two community college districts throughout the County. There were no boundary changes during the year.

**COUNTY BOARD OF EDUCATION**

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

**ADMINISTRATION**

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

| | Second Period Report | Annual Report |
|---|---|---|
| Elementary | | |
| Juvenile halls, homes, and camps | 0.01 | 0.50 |
| Probation referred, on probation or parole, expelled | - | 0.21 |
| Total Elementary | 0.01 | 0.71 |
| Secondary | | |
| Juvenile halls, homes, and camps | 26.49 | 31.35 |
| Probation referred, on probation or parole, expelled | 1.26 | 1.40 |
| Total Secondary | 27.75 | 32.75 |
| Total K-12 | 27.76 | 33.46 |

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2022.

| | (Budget) 2023 [1] | 2022 | 2021 [1] | 2020 [1] |
|---|---|---|---|---|
| County School Service Fund [3] | | | | |
| Revenues | $ 66,643,876 | $ 63,600,612 | $ 61,166,545 | $ 59,716,872 |
| Other sources | 6,020 | 1,463,610 | 1,036,054 | 7,154 |
| Total revenues and other sources | 66,649,896 | 65,064,222 | 62,202,599 | 59,724,026 |
| Expenditures | 67,225,089 | 60,827,381 | 53,266,448 | 51,784,241 |
| Other uses | 2,845,893 | 3,394,609 | 5,158,985 | 6,510,554 |
| Total expenditures and other uses | 70,070,982 | 64,221,990 | 58,425,433 | 58,294,795 |
| Increase/(Decrease) in Fund Balance | (3,421,086) | 842,232 | 3,777,166 | 1,429,231 |
| Ending Fund Balance | $ 18,792,988 | $ 22,214,074 | $ 21,371,842 | $ 17,594,676 |
| Available Reserves [2] | $ 1,459,226 | $ 20,991,002 | $ 19,332,205 | $ 14,878,794 |
| Available Reserves as a Percentage of Total Outgo | 2.08% | 32.69% | 33.09% | 25.52% |
| Long-Term Liabilities including OPEB and Pensions | N/A | $ 34,101,998 | $ 54,433,208 | $ 54,058,554 |
| K-12 Average Daily Attendance at P-2 | 28 | 28 | 101 | 101 |

The County School Service Fund balance has increased by $4,619,398 over the past two years. The fiscal year 2022-2023 budget projects a decrease of $3,421,086 (15.4%). For a County this size, the State recommends available reserves of at least two percent of total County School Service Fund expenditures and other uses (total outgo).

The County has incurred operating surpluses in all the past three years, but anticipates incurring an operating deficit during the 2022-2023 fiscal year. Total long-term liabilities have decreased by $19,956,556 over the past two years.

Average daily attendance has decreased by 73 over the past two years. No change is anticipated during fiscal year 2022-2023.

[1] Financial information for 2023, 2021, and 2020 are included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the County School Service Fund.

[3] 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 County, 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.

Reconciliation

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of COVID-19 ARP California State Preschool Program One-time Stipend revenues that have been recognized in the current year but were not expended by year-end. These unspent balances are reported as legally restricted fund balance.

| Description | Federal Financial Assistance Listing/Federal CFDA Number | Amount |
|---|---|---|
| Total Federal Revenues reported on the financial statements | | $ 23,041,783 |
| COVID-19 ARP California State Preschool Program One-time Stipend | 93.575 | (109,200) |
| Total Federal Financial Assistance | | $ 22,932,583 |

**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.

**Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the County. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**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, 2022

# 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 (the County), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 15, 2022.

***Adoption of New Accounting Standard***

As discussed in Notes 1 and 16 to the financial statements, the County has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position fund balance of the General Fund as of July 1, 2021, to restate beginning net position and fund balance. Our opinions are not modified with respect to this matter.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County'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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 or significant deficiencies may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County'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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 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**

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

We have audited Santa Barbara County Education Office's (the County) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2022. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the 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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 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 Compliance

***Qualified and Unmodified Opinions on State Compliance***

We have audited Santa Barbara County Education Office's (the County) compliance with the requirements specified in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the County's state program requirements identified below for the year ended June 30, 2022.

***Qualified Opinion on Transportation Maintenance of Effort***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the County complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

***Unmodified Opinion on Each of the Other Programs***

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022, except as described in the accompanying Schedule of Findings and Questioned Costs.

***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

***Matters Giving Rise to Qualified Opinion on Transportation Maintenance of Effort***

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding Transportation Maintenance of Effort as described in the accompanying schedule of state compliance findings and questioned costs as item 2022-001.

Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's state programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.

- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, we express no such opinion; and

- Select and test transactions and records to determine the County's compliance with the state laws and regulations applicable to the following items:

| 2021-2022 K-12 Audit Guide Procedures | Procedures Performed |
|---|---|
| Local Education Agencies Other Than Charter Schools | |
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | No, see below |
| Independent Study | No, see below |
| Continuation Education | 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 |
| Juvenile Court Schools | Yes |
| Middle or Early College High Schools | No, see below |
| K-3 Grade Span Adjustment | No, see below |
| Transportation Maintenance of Effort | Yes |
| Apprenticeship: Related and Supplemental Instruction | No, see below |
| Comprehensive School Safety Plan | Yes |
| District of Choice | No, see below |
| | |
| School Districts, County Offices of Education, and Charter Schools | |
| California Clean Energy Jobs Act | No, see below |
| After/Before School Education and Safety Program | No, see below |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Independent Study - Course Based | No, see below |
| Immunizations | Yes, see below |
| Educator Effectiveness | Yes |
| Expanded Learning Opportunities Grant (ELO-G) | Yes |
| Career Technical Education Incentive Grant | Yes |
| In Person Instruction Grant | Yes |

| 2021-2022 K-12 Audit Guide Procedures | Procedures Performed |
| --- | --- |
| Charter Schools | |
| 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 |
| Annual Instructional Minutes - Classroom Based | No, see below |
| Charter School Facility Grant Program | No, see below |

The County's kindergarten students are provided services based on identified special needs; therefore, we did not perform procedures related to Kindergarten Continuance.

We did not perform Independent Study procedures because the program is not offered by the County.

We did not perform Continuation Education procedures because the program is not offered by the County.

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.

We did not perform Middle or Early College High Schools procedures because the program is not offered by the County.

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.

We did not perform procedures for the After/Before School Education and Safety Program because the County did not offer the program.

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 was not listed on the immunization assessment reports; therefore, we did not perform the remaining procedures.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

*Government Auditing Standards* requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 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 a material noncompliance with compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2022

Schedule of Findings and Questioned Costs
June 30, 2022

# 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**

| Name of Federal Program or Cluster | Federal Financial Assistance Listing/ Federal CFDA Number |
|---|---|
| Child Care and Development Fund Block Grant Cluster | 93.575, 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**

| | |
|---|---|
| Internal control over state compliance programs | |
| Material weaknesses identified | No |
| Significant deficiencies identified not considered to be material weaknesses | Yes |
| Type of auditor's report issued on compliance for programs | Qualified* |

*Unmodified for all programs except for the following program which was qualified

| Name of Program |
|---|
| Transportation Maintenance of Effort |

None reported.

None reported.

The following finding represents a significant deficiency, and an instance of noncompliance including questioned costs that are required to be reported by the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The finding has been coded as follows:

| Five Digit Code | AB 3627 Finding Type |
|---|---|
| 40000 | State Compliance |

**2022-001 40000, Transportation Maintenance of Effort**

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 2021-2022 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 2012-2013 fiscal year.

Condition

The County is deficient in meeting the maintenance of effort requirement for its Transportation Program. Specifically, the County was deficient by $113,625 for the Transportation Program.

Questioned Costs

There were no questioned costs associated with the condition identified.

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 $41,345. 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

The County does not comply with California Education Code Section 42238.03(a)(6)(B).

Cause

The condition identified is a result of a reduction in the operation of the program.

Repeat Finding

Yes, see item 2020-001 from 2019-2020 (Transportation Maintenance of Effort compliance was not required to be tested in 2020-2021.)

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.

Corrective Action Plan and Views of Responsible Officials

The Santa Barbara County Education Office will continue to monitor transportation program costs.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.