Financial Statements
June 30, 2023

Santa Barbara County Education Office

Schedule of Findings and Questioned Costs

CPAs & BUSINESS ADVISORS

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, 2023, 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 Santa Barbara County Education Office, as of June 30, 2023, 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 17 to the financial statements, the County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to restate beginning net position. 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 - CalSTRS, schedule of the County's proportionate share of the net pension liability - CalPERS, schedule of the County's contributions - CalSTRS, and schedule of the County's contributions - CalPERS, 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 GAAS, 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 GAAS. 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, 2023 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, 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, 2023

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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, 2023, with comparative information for the year ended June 30, 2022. 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 of the County (including capital assets, right-to-use leased assets, and right-to-use subscription IT assets), 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 67,000 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 17% to $74,355,602 , between 2021-2022 and 2022-2023. This change is a result of increases in the Local Control Funding Formula (LCFF) calculation for County Offices of Education, Federal funding sources, and other State revenues.

Expenditures in the County School Service Fund increased by about 7.9% to $65,634,963 , during the same period of time, primarily due to increases in property tax 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 $37,996,085 for the fiscal year ended June 30, 2023. Of this amount, $13,925,057 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	
	2023	2022 as restated
Assets		
Current and other assets	$ 96,027,038	$ 91,931,084
Capital assets, right-to-use leased assets, and right-to-use subscription IT assets	7,519,630	7,269,798
Total assets	103,546,668	99,200,882
Deferred outflows of resources	17,117,330	9,722,539
Liabilities		
Current liabilities	21,921,472	27,105,737
Long-term liabilities other than OPEB and Pensions	1,436,948	1,438,012
Other postemployment benefits (OPEB) liability	910,592	970,585
Aggregate net pension liability	52,121,924	31,699,035
Total liabilities	76,390,936	61,213,369
Deferred inflows of resources	6,276,977	22,471,209
Net Position		
Investment in capital assets	6,213,896	5,892,698
Restricted	17,857,132	14,879,192
Unrestricted	13,925,057	4,466,953
Total net position	$ 37,996,085	$ 25,238,843

The $13,925,057 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 $13,925,057 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	
	2023	2022*
Revenues		
Program revenues		
Charges for services and sales	$ 9,046,101	$ 8,103,171
Operating grants and contributions	79,847,743	60,005,560
General revenues		
Federal and State aid not restricted	4,836,405	4,905,050
Property taxes	22,989,647	21,082,724
Other general revenues	2,706,835	(1,268,815)
Total revenues	119,426,731	92,827,690
Expenses		
Instruction-related	36,212,561	30,323,618
Pupil services	9,466,441	7,047,158
Administration	13,538,657	11,279,286
Plant services	1,942,751	2,012,640
All other services	45,509,079	33,953,211
Total expenses	106,669,489	84,615,913
Change in net position	$ 12,757,242	$ 8,211,777

* The revenues and expenses for fiscal year 2022 were not restated to show the effects of GASB Statement No. 96 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 $106,669,489. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $22,989,647 because the cost was paid by those who benefited from the programs ($9,046,101) or by other governments and organizations who subsidized certain programs with grants and contributions ($79,847,743). We paid for the remaining "public benefit" portion of our governmental activities with $7,543,240 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-related, 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	
	2023	2022*	2023	2022*
Instruction-related	$ 36,212,561	$ 30,323,618	$ (3,307,164)	$ (2,482,681)
Pupil services	9,466,441	7,047,158	334,021	469,902
Administration	13,538,657	11,279,286	(4,979,509)	(3,978,671)
Plant services	1,942,751	2,012,640	(1,598,063)	(1,356,772)
All other services	45,509,079	33,953,211	(8,224,930)	(9,158,960)
Total	$ 106,669,489	$ 84,615,913	$ (17,775,645)	$ (16,507,182)

* The total and net cost of services for fiscal year 2022 were not restated to show the effects of GASB Statement No. 96 for comparative purposes.

THE COUNTY'S FUNDS

As the County completed this year, our governmental funds reported a combined fund balance of $73,985,624, which is an increase of $9,394,965, or 14.5% from last year (Table 4).

Table 4

	Balances and Activity			
Governmental Fund	June 30, 2022	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2023
County School Service Fund	$ 34,147,872	$ 74,656,269	$ 68,572,948	$ 40,231,193
Child Development Fund	2,959,037	44,989,461	44,130,437	3,818,061
Special Reserve Fund for Capital Outlay Projects	27,483,750	2,992,013	539,393	29,936,370
Forest Reserve Fund	-	47,587	47,587	-
Total	$ 64,590,659	$ 122,685,330	$ 113,290,365	$ 73,985,624

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 2023. (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 59).

CAPITAL ASSETS, RIGHT-TO-USE LEASED ASSETS, RIGHT-TO-USE SUBSCRIPTION IT ASSETS, AND LONG-TERM LIABILITIES

Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets

At June 30, 2023, the County had $7,519,630 in a broad range of capital assets, right-to-use leased assets, and right-to-use subscription IT assets (net of depreciation and amortization), including land, buildings and improvements, equipment, right-to-use leased assets, and right-to-use subscription IT assets, net of depreciation and amortization, an increase of $249,832, or 3.4%.

Table 5

	Governmental Activities	
	2023	2022 as restated
Land and construction in progress	$ 1,357,314	$ 1,099,828
Buildings and improvements	3,754,552	3,648,823
Equipment	1,138,335	1,151,258
Right-to-use leased assets	1,265,111	1,364,337
Right-to-use subscription IT assets	4,318	5,552
Total	$ 7,519,630	$ 7,269,798

This year's additions of $249,832 included various facilities improvement projects at the Cathedral Oaks and Hope campuses. No debt was issued for these additions. We present more detailed information about our capital assets, right-to-use leased assets, and right-to-use subscription IT assets in Note 5 to the financial statements.

Long-Term Liabilities other than OPEB and Pensions

At the end of this year, the County has $1,436,948 in long-term liabilities other than OPEB and pensions versus $1,438,012 (as restated) last year, a decrease of $1,064 or 0.1%.

Table 6

	Governmental Activities	
	2023	2022 as restated
Long-Term Liabilities other than OPEB and Pension		
Leases	$ 1,301,219	$ 1,371,466
Subscription-based IT arrangements	4,515	5,634
Compensated absences	131,214	60,912
Total	$ 1,436,948	$ 1,438,012

We present more detailed information about our long-term liabilities in Note 10 to the financial statements.

OPEB and Pensions

At year-end, the County had other postemployment benefits (OPEB) liability of $910,592 versus $970,585 last year, a decrease of $59,993, or 6.2%. We present more information about our OPEB liabilities in Note 11 to the financial statements.

In addition, at year-end, the County had an aggregate net pension liability of $52,121,924 versus $31,699,035 last year, an increase of $20,422,889, or 64.4%. We present more information about our pension liability in Note 14 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the budget for the 2023- 2024 fiscal year, the criteria used include the following key assumptions:

Revenue Projections

1. Local Control Funding Formula income will receive an 8.22% 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 and expiration of one-time sources.
4. Other State income will increase due to a decrease in various State programs and expiration of one-time sources.

Expenditure Projections

1. Salaries and benefits will have a 4.00% cost of living applied.
2. The Adopted Budget includes a one-time, off-schedule stipend of $5,000 per employee.
3. Salaries and benefits will increase by approximately 1.8% due to step and column changes for existing staffing.
4. Health and welfare costs will increase by 13.00% partially due to an increase in health insurance premiums.
5. Utility costs will increase by 5.00%.
6. Expenditures for supplies and services will decrease 43.3% 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	$ 83,600,389
Receivables	12,211,258
Prepaid expense	95,449
Lease receivable	119,942
Capital assets not depreciated	1,357,314
Capital assets, net of accumulated depreciation	4,892,887
Right-to-use leased assets, net of accumulated amortization	1,265,111
Right-to-use subscription IT assets, net of accumulated amortization	4,318
Total assets	103,546,668
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	542,927
Deferred outflows of resources related to pensions	16,574,403
Total deferred outflows of resources	17,117,330
Liabilities	
Accounts payable	19,375,079
Unearned revenue	2,546,393
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	371,726
Long-term liabilities other than OPEB and pensions due in more than one year	1,065,222
Net other postemployment benefits (OPEB) liability	910,592
Aggregate net pension liability	52,121,924
Total liabilities	76,390,936
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	65,552
Deferred inflows of resources related to pensions	6,091,483
Deferred inflows of resources related to leases	119,942
Total deferred inflows of resources	6,276,977
Net Position	
Investment in capital assets	6,213,896
Restricted for	
Capital projects	490,533
Educational programs	15,011,771
Child development	2,354,828
Unrestricted	13,925,057
Total net position	$ 37,996,085

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	$ 22,075,157	$ 1,854,099	$ 19,691,777	$ (529,281)
Instruction-related activities				
Supervision of instruction	10,065,325	2,251,031	5,336,677	(2,477,617)
Instructional library, media, and technology	543,636	14,080	190,846	(338,710)
School site administration	3,528,443	1,411,581	2,155,306	38,444
Pupil services				
Home-to-school transportation	6,089	602	5,985	498
Food services	946,636	-	952,530	5,894
All other pupil services	8,513,716	1,394,702	7,446,643	327,629
Administration				
Data processing	2,655,586	788,525	123,390	(1,743,671)
All other administration	10,883,071	474,716	7,172,517	(3,235,838)
Plant services	1,942,751	30,974	313,714	(1,598,063)
Community services	36,426,632	-	36,093,376	(333,256)
Enterprise services	191,109	797,560	-	606,451
Interest on long-term liabilities	31,750	-	-	(31,750)
Other outgo	8,859,588	28,231	364,982	(8,466,375)
Total governmental activities	$ 106,669,489	$ 9,046,101	$ 79,847,743	(17,775,645)
General Revenues and Subventions				
Property taxes, levied for general purposes				22,707,048
Taxes levied for other specific purposes				282,599
Federal and State aid not restricted to specific purposes				4,836,405
Interest and investment earnings				1,234,465
Interagency revenues				82,900
Miscellaneous				1,389,470
Subtotal, general revenues and subventions				30,532,887
Change in Net Position				12,757,242
Net Position - Beginning, as restated				25,238,843
Net Position - Ending				$ 37,996,085

	County School Service Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects	Total Governmental Funds
Assets				
Deposits and investments	$ 51,302,725	$ 4,874,921	$ 27,422,743	$ 83,600,389
Receivables	5,241,656	6,901,669	67,933	12,211,258
Due from other funds	3,316,578	273,975	2,473,871	6,064,424
Prepaid expenditures	86,079	9,370	-	95,449
Lease receivable	119,942	-	-	119,942
Total assets	$ 60,066,980	$ 12,059,935	$ 29,964,547	$ 102,091,462
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$ 14,987,194	$ 4,359,708	$ 28,177	$ 19,375,079
Due to other funds	2,747,846	3,316,578	-	6,064,424
Unearned revenue	1,980,805	565,588	-	2,546,393
Total liabilities	19,715,845	8,241,874	28,177	27,985,896
Deferred Inflows of Resources				
Deferred inflows of resources related to leases	119,942	-	-	119,942
Fund Balances				
Nonspendable	91,079	9,370	-	100,449
Restricted	15,011,771	2,354,828	490,533	17,857,132
Assigned	-	1,453,863	29,445,837	30,899,700
Unassigned	25,128,343	-	-	25,128,343
Total fund balances	40,231,193	3,818,061	29,936,370	73,985,624
Total liabilities, deferred inflows of resources, and fund balances	$ 60,066,980	$ 12,059,935	$ 29,964,547	$ 102,091,462

Total Fund Balance - Governmental Funds		$ 73,985,624
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	$ 12,202,925	
Accumulated depreciation is	(5,952,724)	
Net capital assets		6,250,201
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	1,881,348	
Accumulated amortization is	(616,237)	
Net right-to-use leased assets		1,265,111
Right-to-use subscription IT 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 subscription IT assets is	6,169	
Accumulated amortization is	(1,851)	
Net right-to-use subscription IT assets		4,318
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	542,927	
Aggregate net pension liability	16,574,403	
Total deferred outflows of resources		17,117,330
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	(65,552)	
Aggregate net pension liability	(6,091,483)	
Total deferred inflows of resources		(6,157,035)
Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(52,121,924)

The County's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.	$ (910,592)
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	(1,301,219)
Subscription-based IT arrangements	(4,515)
Compensated absences (vacations)	(131,214)
Total net position - governmental activities	$ 37,996,085

	County School Service Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Fund	Total Governmental Funds
Revenues					
Local Control Funding Formula	$ 27,234,424	$ -	$ -	$ -	$ 27,234,424
Federal sources	2,108,988	20,105,585	-	47,587	22,262,160
Other State sources	11,658,745	23,807,311	-	-	35,466,056
Other local sources	33,353,445	838,654	291,939	-	34,484,038
Total revenues	74,355,602	44,751,550	291,939	47,587	119,446,678
Expenditures					
Current					
Instruction	20,661,782	2,214,122	-	-	22,875,904
Instruction-related activities					
Supervision of instruction	10,047,488	647,222	-	-	10,694,710
Instructional library, media, and technology	571,471	-	-	-	571,471
School site administration	1,965,935	1,639,836	-	-	3,605,771
Pupil services					
Home-to-school transportation	7,025	-	-	-	7,025
Food services	25,020	921,616	-	-	946,636
All other pupil services	8,990,875	-	-	-	8,990,875
Administration					
Data processing	2,812,764	-	-	-	2,812,764
All other administration	8,137,737	3,306,763	-	-	11,444,500
Plant services	1,791,922	10,095	29,764	-	1,831,781
Community services	1,186,072	35,390,783	-	-	36,576,855
Other outgo	8,819,139	-	-	40,449	8,859,588
Enterprise services	204,693	-	-	-	204,693
Facility acquisition and construction	16,396	-	509,628	-	526,024
Debt service					
Principal	364,894	-	-	-	364,894
Interest and other	31,750	-	-	-	31,750
Total expenditures	65,634,963	44,130,437	539,392	40,449	110,345,241
Excess (Deficiency) of Revenues Over Expenditures	8,720,639	621,113	(247,453)	7,138	9,101,437
Other Financing Sources (Uses)					
Transfers in	7,139	237,911	2,700,074	-	2,945,124
Other sources - leases	293,528	-	-	-	293,528
Transfers out	(2,937,985)	-	(1)	(7,138)	(2,945,124)
Net Financing Sources (Uses)	(2,637,318)	237,911	2,700,073	(7,138)	293,528
Net Change in Fund Balances	6,083,321	859,024	2,452,620	-	9,394,965
Fund Balance - Beginning	34,147,872	2,959,037	27,483,750	-	64,590,659
Fund Balance - Ending	$ 40,231,193	$ 3,818,061	$ 29,936,370	$ -	$ 73,985,624

Total Net Change in Fund Balances - Governmental Funds		$ 9,394,965
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlay 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 expense in the Statement of Activities. This is the amount by which capital outlay exceeds depreciation and amortization expense in the period.		
Capital outlay	$ 1,061,147	
Depreciation and amortization expense	(791,368)	
Net expense adjustment		$ 269,779
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(19,947)
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.		(293,528)
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.		(70,302)
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.		3,122,181
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.		(10,800)
Payment of principal on lease and subscription 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.		
Leases		363,775
Subsciptions		1,119
Change in net position of governmental activities		$ 12,757,242

	Custodial Funds
Assets	
Deposits and investments	$ 29,826,133
Liabilities	
Due to other governments	$ 29,826,133

	Custodial Funds
Additions	
Contributions	
Fund collected for others	$ 1,969,105,217
Investment earnings	
Interest	322,695
Net decrease in the fair value of investments	(96,216)
Total investment earnings	226,479
Total additions	1,969,331,696
Deductions	
Funds distributed to other LEAs	1,969,331,696
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 $14,831,790 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 and subscription IT 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 government-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, Depreciation, and Amortization

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, 2023.

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 or useful life of the underlying asset.

The County records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

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. At the commencement of the lease term, 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 or useful life of the underlying asset.

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.

Subscriptions

The County recognizes a subscription liability and an intangible right-to-use subscription IT asset (subscription IT asset) in the government-wide financial statements. At the commencement of the subscription term, the County measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription liability, plus certain initial direct costs. Subsequently, the subscription IT asset is amortized on a straight-line basis over shorter of the subscription term or useful life of the underlying asset. The amortization period is five years.

Fund Balances - Governmental Funds

As of June 30, 2023, 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, 2023. 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 $17,857,132 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. 96

As of July 1, 2022, the County adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as 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 17 and the additional disclosures required by this standard are included in Notes 5 and 10.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Governmental funds	$ 83,600,389
Fiduciary funds	29,826,133
Total deposits and investments	$ 113,426,522

Deposits and investments as of June 30, 2023, consist of the following:

Cash in revolving	$ 5,000
Investments	113,421,522
Total deposits and investments	$ 113,426,522

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 $113,421,522 with the Santa Barbara County Treasury Investment Pool. This investment has an average weighted maturity of 643 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, 2023.

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, 2023, the County's bank balance of $5,000 was not exposed to custodial credit risk because it was fully insured.

Note 3 - Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

As of June 30, 2023, the District investments of $113,421,522 in the Santa Barbara County Treasury Investment Pool are uncategorized.

Note 4 - Receivables

Receivables at June 30, 2023, 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	$ 912,340	$ 476,484	$ -	$ 1,388,824
State Government				
Categorical aid	1,713,714	6,310,531	-	8,024,245
Special education	818,595	-	-	818,595
Local Government				
Interest	429,972	56,883	-	486,855
Other local sources	1,367,035	57,771	67,933	1,492,739
Total	$ 5,241,656	$ 6,901,669	$ 67,933	$ 12,211,258

Note 5 - Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets

Capital assets, right-to-use leased assets, and right-to-use subscription IT assets activity for the fiscal year ended June 30, 2023, was as follows:

	Balance July 1, 2022 as restated	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	$ 500,000	$ -	$ -	$ 500,000
Construction in progress	599,828	257,486	-	857,314
Total capital assets not being depreciated	1,099,828	257,486	-	1,357,314
Capital assets being depreciated				
Land improvements	80,578	15,252	-	95,830
Buildings and improvements	5,493,780	251,989	-	5,745,769
Furniture and equipment	4,838,042	267,791	(101,821)	5,004,012
Total capital assets being depreciated	10,412,400	535,032	(101,821)	10,845,611
Total capital assets	11,512,228	792,518	(101,821)	12,202,925
Accumulated depreciation				
Land improvements	(74,787)	(516)	-	(75,303)
Buildings and improvements	(1,850,748)	(160,996)	-	(2,011,744)
Furniture and equipment	(3,686,784)	(260,767)	81,874	(3,865,677)
Total accumulated depreciation	(5,612,319)	(422,279)	81,874	(5,952,724)
Net depreciable capital assets	4,800,081	112,753	(19,947)	4,892,887
Right-to-use leased assets being amortized				
Buildings and improvements	1,363,028	224,095	-	1,587,123
Furniture and equipment	249,691	44,534	(55,969)	238,256
Total right-to-use leased assets being amortized	1,612,719	268,629	(55,969)	1,825,379
Accumulated amortization				
Buildings and improvements	(136,303)	(322,404)	-	(458,707)
Furniture and equipment	(112,079)	(45,451)	55,969	(101,561)
Total accumulated depreciation	(248,382)	(367,855)	55,969	(560,268)
Net right-to-use leased assets	1,364,337	(99,226)	-	1,265,111
Right-to-use subscription IT assets being amortized				
Right-to-use subscription IT assets	6,169	-	-	6,169
Accumulated amortization	(617)	(1,234)	-	(1,851)
Net right-to-use subscription IT assets	5,552	(1,234)	-	4,318
Governmental activities capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net	$ 7,269,798	$ 269,779	$ (19,947)	$ 7,519,630

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

Governmental Activities		
Instruction	$	376,162
Supervision of instruction		3,025
Instructional library, media, and technology		1,234
All other pupil services		129,891
All other administration		45,470
Plant services		235,586
Total depreciation and amortization expense governmental activities	$	791,368

Note 6 - Lease Receivable

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

Lease Receivable	Outstanding July 1, 2022	Addition	Deletion	Outstanding June 30, 2023
Hope Center, SBFTCU	$ 178,060	$ -	$ (58,118)	$ 119,942

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, 2023, the monthly rental price was $5,107 per month.

During the fiscal year, the County recognized $58,118 in lease revenues related to this agreement. At June 30, 2023, the County recorded $119,942 in lease receivables and 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 7 - 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, 2023, between major governmental funds are as follows:

	Due From		
Due To	County School Service Fund	Child Development Fund	Total
County School Service Fund	$ -	$ 3,316,578	$ 3,316,578
Child Development Fund	273,975	-	273,975
Special Reserve Fund for Capital Outlay Projects	2,473,871	-	2,473,871
Total	$ 2,747,846	$ 3,316,578	$ 6,064,424

The balance of $3,316,578 due to the County School Service Fund from the Child Development Fund resulted from payroll and indirect cost charges.

The balance of $273,975 due to the Child Development Fund from the County School Service Fund resulted from a program balance adjustment transfer.

The balance of $2,473,871 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, 2023, consisted of the following:

	Transfer From			
Transfer To	County School Service Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
County School Service Fund	$ -	$ 1	$ 7,138	$ 7,139
Child Development Fund	237,911	-	-	237,911
Special Reserve Fund for Capital Outlay Projects	2,700,074	-	-	2,700,074
Total	$ 2,937,985	$ 1	$ 7,138	$ 2,945,124

The County School Service Fund transferred program funds to the Child Development Fund.	$ 237,911
The County School Service Fund transferred to the Special Reserve Fund for Capital Outlay Projects for future capital outlay purposes.	2,700,074
The Special Reserve Fund for Capital Outlay Projects transferred to the County School Service Fund to close a subfund	1
The Forest Reserve Non-Major Governmental Fund transferred to the County School Service Fund for the County Education Office's portion of the grant.	7,138
Total	$ 2,945,124

Note 8 - Accounts Payable

Accounts payable at June 30, 2023, consisted of the following:

	County School Service Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects	Total
LCFF apportionment	$ 8,413,722	$ -	$ -	$ 8,413,722
Due to other governments	1,817,394	-	-	1,817,394
Salaries and benefits	2,202,168	42,407	-	2,244,575
Other vendor payables	2,553,910	4,317,301	28,177	6,899,388
Total	$ 14,987,194	$ 4,359,708	$ 28,177	$ 19,375,079

Note 9 - Unearned Revenue

Unearned revenue at June 30, 2023, consists of the following:

	County School Service Fund	Child Development Fund	Total
Federal financial assistance	$ 296,753	$ 410,228	$ 706,981
State categorical aid	795,396	155,360	950,756
Other local	888,656	-	888,656
Total	$ 1,980,805	$ 565,588	$ 2,546,393

Note 10 - 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, 2022 as restated	Additions	Deductions	Balance June 30, 2023	Due in One Year
Long-Term Liabilities					
Leases	$ 1,371,466	$ 293,528	$ (363,775)	$ 1,301,219	$ 370,534
Subscription-based IT arrangements	5,634	-	(1,119)	4,515	1,192
Compensated absences	60,912	70,302	-	131,214	-
Total	$ 1,438,012	$ 363,830	$ (364,894)	$ 1,436,948	$ 371,726

The leases and subscription-based IT arrangements will be paid by the County School Service Fund. The compensated absences will be paid by the County School Service Fund and the Child Development Fund.

Leases

The County has entered into several agreements to lease copiers and real property. The annual interest rates charged on the leases range from 2.00% to 4.01%. At June 30, 2023, the County has recognized right-to-use assets of $1,265,111, net of accumulated amortization, and a lease liability of $1,301,219 related to these agreements. During the fiscal year, the County recorded $367,855 in amortization expense and $31,430 in interest expense for the right-to-use the leased assets.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ 370,534	$ 20,472	$ 391,006
2025	368,461	13,719	382,180
2026	366,966	7,152	374,118
2027	192,311	1,192	193,503
2028	2,947	19	2,966
Total	$ 1,301,219	$ 42,554	$ 1,343,773

Subscriptions-Based Information Technology Arrangements (SBITAs)

The County entered into a SBITA for software for administrative uses. At June 30, 2023, the County has recognized a right-to-use subscriptions IT asset of $4,318, net of accumulated amortization, and a SBITA liability of $4,515 related to this agreement. During the fiscal year, the County recorded $1,234 in amortization expense. The County is required to make annual principal and interest payments of $5,037 through January 2027. The subscription has an interest rate of 6.23%.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ 1,192	$ 247	$ 1,439
2025	1,267	172	1,439
2026	1,349	90	1,439
2027	707	13	720
Total	$ 4,515	$ 522	$ 5,037

Compensated Absences

Compensated absences (unpaid employee vacation) for the County at June 30, 2023, amounted to $131,214.

Note 11 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2023, 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	$ 798,686	$ 542,927	$ 65,552	$ 138,704
Medicare Premium Payment (MPP) Program	111,906	-	-	(30,183)
Total	$ 910,592	$ 542,927	$ 65,552	$ 108,521

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, 2023, 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, 2023, the County paid $97,721 in benefits, of which $55,076 is due to the implicit rate subsidy.

Total OPEB Liability of the County

The County's total OPEB liability of $798,686 was measured as of June 30, 2023, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%, average, including inflation
Discount rate	3.65% for 2023
Healthcare cost trend rates	4.00% for 2023

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, 2023, valuation were based on the results of an actual experience study for the period July 1, 2022 through June 30, 2023.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2022	$ 828,496
Service cost	45,566
Interest	28,406
Changes of assumptions or other inputs	(6,061)
Benefit payments	(97,721)
Net change in total OPEB liability	(29,810)
Balance, June 30, 2023	$ 798,686

Changes of assumptions and other inputs reflect a change in the discount rate from 3.54% in 2022 to 3.65% in 2023.

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 (2.65%)	$ 849,743
Current discount rate (3.65%)	798,686
1% increase (4.65%)	751,633

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%)	$ 715,745
Current healthcare cost trend rate (4.00%)	798,686
1% increase (5.00%)	895,958

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

For the year ended June 30, 2023, the County recognized OPEB expense of $138,704. At June 30, 2023, 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	$ 541,228	$ 1,478
Changes of assumptions	1,699	64,074
Total	$ 542,927	$ 65,552

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
2024	$ 62,729
2025	62,729
2026	62,729
2027	62,729
2028	62,729
Thereafter	163,730
Total	$ 477,375

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, 2021 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, 2023, the County reported a liability of $111,906 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. 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, 2022 and June 30, 2021, respectively, was 0.0340%, and 0.0356%, resulting in a net decrease in the proportionate share of 0.0016%.

For the year ended June 30, 2023, the County recognized OPEB expense of $(30,183).

Actuarial Methods and Assumptions

The June 30, 2022 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

Measurement Date	June 30, 2022	June 30, 2021
Valuation Date	June 30, 2021	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.54%	2.16%
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, 2021, 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 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 209 or an average of 0.14% of the potentially eligible population (145.282).

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, 2022, 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, 2022, is 3.54%. 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 3.54%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 1.38% from 2.16% as of June 30, 2021.

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 (2.54%)	$ 121,999
Current discount rate (3.54%)	111,906
1% increase (4.54%)	103,167

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 Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	$ 102,678
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	111,906
1% increase (5.50% Part A and 6.40% Part B)	122,366

Note 12 - 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	86,079	9,370	-	95,449
Total nonspendable	91,079	9,370	-	100,449
Restricted				
Legally restricted programs	15,011,771	2,354,828	-	17,366,599
Capital projects	-	-	490,533	490,533
Total restricted	15,011,771	2,354,828	490,533	17,857,132
Assigned				
Child development	-	1,453,863	-	1,453,863
Capital projects	-	-	29,445,837	29,445,837
Total assigned	-	1,453,863	29,445,837	30,899,700
Unassigned				
Reserve for economic uncertainties	14,831,791	-	-	14,831,791
Remaining unassigned	10,296,552	-	-	10,296,552
Total unassigned	25,128,343	-	-	25,128,343
Total	$ 40,231,193	$ 3,818,061	$ 29,936,370	$ 73,985,624

Note 13 - 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, 2023, information was not available that indicates that the County has an outstanding obligation for any calculated deficits. See Note 16 for additional information regarding the pools.

Note 14 - 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, 2023, 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	$ 15,728,602	$ 4,258,952	$ 4,508,770	$ (6,803)
CalPERS	36,393,322	12,315,451	1,582,713	4,141,116
Total	$ 52,121,924	$ 16,574,403	$ 6,091,483	$ 4,134,313

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, 2021, 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, 2023, 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	19.10%	19.10%
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, 2023, are presented above and the County's total contributions were $2,807,177.

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

At June 30, 2023, 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	$ 15,728,602
State’s proportionate share of the net pension liability	7,876,822
Total	$ 23,605,424

The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, respectively, was 0.0226% and 0.0237%, resulting in a net decrease in the proportionate share of 0.0011%.

For the year ended June 30, 2023, the County recognized pension expense of $(6,803). In addition, the County recognized pension expense and revenue of $635,261 for support provided by the State. At June 30, 2023, 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	$ 2,807,177	$ -
Change in proportion and differences between contributions made and County's proportionate share of contributions	658,848	2,560,293
Differences between projected and actual earnings on pension plan investments	-	769,160
Differences between expected and actual experience in the measurement of the total pension liability	12,902	1,179,317
Changes of assumptions	780,025	-
Total	$ 4,258,952	$ 4,508,770

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
2024	$ (565,004)
2025	(612,086)
2026	(919,479)
2027	1,327,409
Total	$ (769,160)

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
2024	$ (388,297)
2025	(727,910)
2026	(363,366)
2027	(367,491)
2028	(228,127)
Thereafter	(212,644)
Total	$ (2,287,835)

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, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
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, 2022, 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%)	$ 26,712,999
Current discount rate (7.10%)	15,728,602
1% increase (8.10%)	6,608,249

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, 2021 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, 2023, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after 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%	8.00%
Required employer contribution rate	25.370%	25.370%

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, 2023, are presented above and the total County contributions were $4,449,317.

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

As of June 30, 2023, the County reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $36,393,322. The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, respectively, was 0.1058% and 0.1029%, resulting in a net increase in the proportionate share of 0.0029%.

For the year ended June 30, 2023, the County recognized pension expense of $4,141,116. At June 30, 2023, 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	$ 4,449,317	$ -
Change in proportion and differences between contributions made and County's proportionate share of contributions	712,425	677,200
Differences between projected and actual earnings on pension plan investments	4,297,062	-
Differences between expected and actual experience in the measurement of the total pension liability	164,476	905,513
Changes of assumptions	2,692,171	-
Total	$ 12,315,451	$ 1,582,713

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
2024	$ 716,614
2025	635,587
2026	324,665
2027	2,620,196
Total	$ 4,297,062

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 413,452
2025	826,394
2026	754,894
2027	(8,381)
Total	$ 1,986,359

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, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. 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 - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. 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 expected rate of return on the School Employer Pool investments 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 (5.90%)	$ 52,571,997
Current discount rate (6.90%)	36,393,322
1% increase (7.90%)	23,022,242

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 $1,263,588 (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 15 - 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, 2023.

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, 2023.

Note 16 - 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, 2023, the County made payments of $50,741, $8,861,843, and $513,315 to SISC II, SISC III, and SIPE, respectively, for services received.

Note 17 - Adoption of New Accounting Standard

As of July 1, 2022, the County adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

Governmental Activities	
Net Position - Beginning, as previously reported on June 30, 2022	$ 25,238,925
Right-to-use subscription IT assets, net of amortization	5,552
Subscription-based IT arrangements	(5,634)
Net Position - Beginning, as restated on July 1, 2022	$ 25,238,843

Required Supplementary Information
June 30, 2023

Santa Barbara County Education Office

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 24,650,353	$ 26,907,519	$ 27,234,424	$ 326,905
Federal sources	1,862,175	3,536,777	2,108,988	(1,427,789)
Other State sources	10,296,191	12,528,987	11,658,745	(870,242)
Other local sources	29,835,157	33,670,911	33,353,445	(317,466)
Total revenues [1]	66,643,876	76,644,194	74,355,602	(2,288,592)
Expenditures				
Current				
Certificated salaries	14,750,986	15,406,334	14,478,668	927,666
Classified salaries	15,943,696	16,637,216	15,688,859	948,357
Employee benefits	16,788,619	16,722,289	14,976,619	1,745,670
Books and supplies	737,698	1,507,217	751,394	755,823
Services and operating expenditures	13,519,553	19,700,186	12,776,943	6,923,243
Other outgo	5,418,434	5,606,527	6,101,658	(495,131)
Capital outlay	66,103	464,181	464,178	3
Debt service				
Debt service - principal	-	363,505	364,894	(1,389)
Debt service - interest and other	-	-	31,750	(31,750)
Total expenditures [1]	67,225,089	76,407,455	65,634,963	10,772,492
Excess (Deficiency) of Revenues Over Expenditures	(581,213)	236,739	8,720,639	8,483,900
Other Financing Sources (Uses)				
Transfers in	6,020	6,020	7,139	1,119
Other sources - leases	-	-	293,528	293,528
Transfers out	(2,845,893)	(5,970,089)	(2,937,985)	3,032,104
Net Financing Sources (Uses)	(2,839,873)	(5,964,069)	(2,637,318)	3,326,751
Net Change in Fund Balances	(3,421,086)	(5,727,330)	6,083,321	11,810,651
Fund Balance - Beginning	34,147,872	34,147,872	34,147,872	-
Fund Balance - Ending	$ 30,726,786	$ 28,420,542	$ 40,231,193	$ 11,810,651

[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	$ 13,380,364	$ 24,467,595	$ 20,105,585	$ (4,362,010)
Other State sources	20,079,378	20,108,127	23,807,311	3,699,184
Other local sources	294,825	283,336	838,654	555,318
Total revenues	33,754,567	44,859,058	44,751,550	(107,508)
Expenditures				
Current				
Certificated salaries	1,515,768	1,733,453	1,659,687	73,766
Classified salaries	2,105,217	2,316,951	2,249,296	67,655
Employee benefits	2,476,129	2,464,500	2,282,392	182,108
Books and supplies	169,798	465,420	355,426	109,994
Services and operating expenditures	25,108,626	34,967,395	34,276,872	690,523
Other outgo	2,543,906	3,412,722	3,306,764	105,958
Capital outlay	5,000	5,000	-	5,000
Total expenditures	33,924,444	45,365,441	44,130,437	1,235,004
Excess (Deficiency) of Revenues Over Expenditures	(169,877)	(506,383)	621,113	1,127,496
Other Financing Sources				
Transfers in	-	-	237,911	237,911
Net Change in Fund Balances	(169,877)	(506,383)	859,024	1,365,407
Fund Balance - Beginning	2,959,037	2,959,037	2,959,037	-
Fund Balance - Ending	$ 2,789,160	$ 2,452,654	$ 3,818,061	$ 1,365,407

	2023	2022	2021
Total OPEB Liability			
Service cost	$ 45,566	$ 58,296	$ 56,373
Interest	28,406	19,800	21,244
Difference between expected and actual experience	-	(1,750)	-
Changes of assumptions	(6,061)	(69,215)	2,272
Benefit payments	(97,721)	(132,329)	(127,331)
Net change in total OPEB liability	(29,810)	(125,198)	(47,442)
Total OPEB Liability - Beginning	828,496	953,694	1,001,136
Total OPEB Liability - Ending	$ 798,686	$ 828,496	$ 953,694
Covered Payroll	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]
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 2,066	$ 2,006	$ 2,749
Interest	7,181	72	106
Difference between expected and actual experience	815,268	(118,214)	12,033
Changes of assumptions	-	(5,126)	-
Benefit payments	(55,011)	(87,512)	(135,087)
Net change in total OPEB liability	769,504	(208,774)	(120,199)
Total OPEB Liability - Beginning	231,632	440,406	560,605
Total OPEB Liability - Ending	$ 1,001,136	$ 231,632	$ 440,406
Covered Payroll	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]
Measurement Date	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,	2023	2022	2021
Proportion of the net OPEB liability	0.0340%	0.0356%	0.0341%
Proportionate share of the net OPEB liability	$ 111,906	$ 142,089	$ 166,379
Covered payroll	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]
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.0417%	0.0413%	0.0475%
Proportionate share of the net OPEB liability	$ 155,282	$ 158,149	$ 199,685
Covered payroll	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]
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	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.

CalSTRS	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.0226%	0.0237%	0.0225%	0.0236%	0.0230%
Proportionate share of the net pension liability	$ 15,728,602	$ 10,784,947	$ 21,835,083	$ 21,288,721	$ 21,156,279
State's proportionate share of the net pension liability	7,876,822	5,426,567	11,255,988	11,614,419	12,112,959
Total	$ 23,605,424	$ 16,211,514	$ 33,091,071	$ 32,903,140	$ 33,269,238
Covered payroll	$ 13,274,297	$ 12,764,495	$ 12,253,158	$ 12,624,889	$ 12,645,412
Proportionate share of the net pension liability as a percentage of its covered payroll	118.49%	84.49%	178.20%	168.63%	167.30%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

	2018	2017	2016	2015
Proportion of the net pension liability	0.0262%	0.0292%	0.0340%	0.0343%
Proportionate share of the net pension liability	$ 24,245,483	$ 23,576,845	$ 22,899,487	$ 20,021,380
State's proportionate share of the net pension liability	14,343,423	13,421,877	12,111,304	12,089,774
Total	$ 38,588,906	$ 36,998,722	$ 35,010,791	$ 32,111,154
Covered payroll	$ 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	173.63%	151.93%	147.35%	130.72%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
Measurement Date	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.

CalPERS	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.1058%	0.1029%	0.1022%	0.1084%	0.1112%
Proportionate share of the net pension liability	$ 36,393,322	$ 20,914,088	$ 31,349,820	$ 31,580,756	$ 29,651,897
Covered payroll	$ 16,233,182	$ 14,773,126	$ 14,730,962	$ 14,811,975	$ 14,672,442
Proportionate share of the net pension liability as a percentage of its covered payroll	224.19%	141.57%	212.82%	213.21%	202.09%
Plan fiduciary net position as a percentage of the total pension liability	71%	81%	70%	70%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

	2018	2017	2016	2015
Proportion of the net pension liability	0.1149%	0.1292%	0.1546%	0.1760%
Proportionate share of the net pension liability	$ 27,435,257	$ 25,526,156	$ 22,787,829	$ 19,980,319
Covered payroll	$ 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	181.13%	162.71%	135.36%	110.49%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%
Measurement Date	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.

CalSTRS	2023	2022	2021	2020	2019
Contractually required contribution	$ 2,807,177	$ 2,246,011	$ 2,061,466	$ 2,095,290	$ 2,055,332
Less contributions in relation to the contractually required contribution	2,807,177	2,246,011	2,061,466	2,095,290	2,055,332
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 14,697,262	$ 13,274,297	$ 12,764,495	$ 12,253,158	$ 12,624,889
Contributions as a percentage of covered payroll	19.10%	16.92%	16.15%	17.10%	16.28%

	2018	2017	2016	2015
Contractually required contribution	$ 1,824,733	$ 1,756,640	$ 1,665,093	$ 1,380,072
Less contributions in relation to the contractually required contribution	1,824,733	1,756,640	1,665,093	1,380,072
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 12,645,412	$ 13,963,752	$ 15,518,108	$ 15,541,351
Contributions as a percentage of covered payroll	14.43%	12.58%	10.73%	8.88%

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

CalPERS	2023	2022	2021	2020	2019
Contractually required contribution	$ 4,449,317	$ 3,719,022	$ 3,058,037	$ 2,905,093	$ 2,675,339
Less contributions in relation to the contractually required contribution	4,449,317	3,719,022	3,058,037	2,905,093	2,675,339
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 17,537,710	$ 16,233,182	$ 14,773,126	$ 14,730,962	$ 14,811,975
Contributions as a percentage of covered payroll	25.370%	22.910%	20.700%	19.721%	18.062%

	2018	2017	2016	2015
Contractually required contribution	$ 2,278,777	$ 2,103,558	$ 1,858,584	$ 1,981,596
Less contributions in relation to the contractually required contribution	2,278,777	2,103,558	1,858,584	1,981,596
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 14,672,442	$ 15,146,587	$ 15,688,225	$ 16,834,560
Contributions as a percentage of covered payroll	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 3.54% in 2022 to 3.65% in 2023.

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 2.16% to 3.54% 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 the CalSTRS plan from the previous valuations. The CalPERS plan rate of investment return assumption was changed from 7.15% to 6.90% since the previous valuation.

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, 2023

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	$ 155,219	$ -
COVID-10 ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	32,502	-
COVID-19 ARP IDEA Part B, Sec. 611, Local Assistance Private School ISPs	84.027	10169	1,354	-
Subtotal			189,075	-
Preschool Grants, Part B, Sec 619	84.173	13430	2,297	-
COVID-19 ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	10169	4,912	-
Subtotal			7,209	-
Total Special Education (IDEA) Cluster			196,284	-
Title I, Part D - Local Delinquent Programs	84.010	14357	261,057	-
School Improvement (CSI) Funding for COEs	84.010	15439	84,443	-
Subtotal			345,500	-
Early Intervention Grants, Part C	84.181	25657	127,331	-
COVID-19 ARP IDEA Part C, Early Education Program	84.181X	23761	103,864	-
Subtotal			231,195	-
Title IX, Homeless Children Education (Stewart McKinney)	84.196A	14332	195,150	-
Title II, Part A - Supporting Effective Instruction	84.367	14341	3,016	-
COVID-19 Education Stabilization Fund				
COVID-19 Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	33,669	-
COVID-19 Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D	15618	144,177	-
COVID-19 Expanded Learning Opportunities (ELO) Grant: GEER II	84.425C	15619	33,090	-
COVID-19 Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Emergency Needs	84.425U	15620	11,380	-
COVID-19 American Rescue Plan - Homeless Children and Youth (ARP - Homeless)	84.425W	15564	151,236	-
Subtotal COVID-19 Education Stabilization Fund			373,552	-
Total U.S. Department of Education			1,344,697	-
U.S. Department of Treasury				
COVID-19 State and Local Fiscal Recovery Funds	21.027	[1]	99,975	-
Behavior Wellness Mental Health Agreement: Children & Family Resource Services (CFRS)	21.027	[1]	99,684	-
Total U.S. Department of Treasury			199,659	-

[1] Direct funded, no pass-through entity identifying number.

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 Agriculture				
Passed through CDE				
Child Nutrition Cluster				
School Programs (NSL Sec 4)	10.555	13523	$ 2,897	$ -
School Programs (NSL Sec 11)	10.555	13524	10,982	-
Subtotal			13,879	-
School Programs (School Breakfast Needy)	10.553	13526	8,132	-
Total Child Nutrition Cluster			22,011	-
Forest Service Schools and Roads Cluster				
Forest Reserve	10.665	10044	47,587	40,449
Total Forest Service Schools and Roads Cluster			47,587	40,449
Passed Through California Department of Social Services				
Child and Adult Care Food Program				
Centers and Family Day Care Homes	10.558	13666	785,028	-
Cash in Lieu of Commodities	10.558	13389	1,430	-
Family Day Care Sponsor Administration	10.558	13665	85,099	-
Total Child and Adult Care Food Program			871,557	-
Total U.S. Department of Agriculture			941,155	40,449
U.S. Department of Health and Human Services				
Passed through the California Department of Social Services				
Child Care and Development Fund Block Grant Cluster				
Quality Counts California Workforce Pathways Grant	93.575	15442 & 14130	28,364	-
Quality Counts California Workforce Pathways Grant	93.575	15534 & 24130	104,180	-
Quality Counts California Workforce Pathways Grant	93.575	24130 & 24092	158,588	-
Local Planning Councils	93.575	13946	88,110	-
Federal General Child Care and Development	93.575	13609 & 15136	20,837	-
Federal Alternative Payment, Stage 2	93.575	15551 & 15558	5,334,635	-
Federal Alternative Payment, Stage 2	93.575	14178	776,676	-
Federal Alternative Payment, Stage 3	93.575	13881	1,636,393	-
Federal Alternative Payment, Stage 3	93.575	14551	3,982,508	-
Federal Alternative Payment, Stage 3	93.575	14564	248,868	-
Federal Alternative Payment, Stage 3	93.575	15452	183,360	-
CARES Act Federal Alternative Payment	93.575	15511	499,092	-
COVID-19 Child Development: Coronavirus Response and Relief Supplemental Appropriations (CRRSA)	93.575	15554	201,560	-
COVID-19 ARP California State Preschool Program One-time Stipend	93.575	15640	6,887	-
COVID-19 Coronavirus Response and Relief Supplemental Appropriations (CRSSA) Act - One-Time Stipend	93.575	15555	98,674	-
Subtotal			13,368,732	-
Federal Alternative Payment	93.596	13694, 14153 & 15400	5,410,760	-
Total Child Care and Development Fund Block Grant Cluster			18,779,492	-

Federal Grantor/Pass-Through Grantor/Program	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures	Amounts Passed Through to Subrecipeints
COVID-19 Public Health Workforce Supplemental Funding	93.354	15640	$ 85,190	$ -
Health Center Program Cluster				
CBO Support to Increase Equitable Vaccination Coverage	93.527	14551	61,033	-
Children's Health Insurance Program Reauthorization Act - Healthy Kids Santa Barbara County	93.767	14564	396,398	-
Total U.S. Department of Health and Human Services			19,322,113	-
Total Federal Financial Assistance			$ 21,807,624	$ 40,449

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
Judith Frost	5	President	2026
Bruce Porter	3	Vice President	2024
Marybeth Carty	1	Member	2026
Nadra Ehrman	2	Member	2024
Michelle de Werd	4	Member	2024
Weldon U. Howell, Jr.	6	Member	2024
Maggi Daane	7	Member	2026

ADMINISTRATION

Susan Salcido, Ed. D.	County Superintendent of Schools
Kirsten Escobedo	Associate Superintendent, Special Education
Mari Gonzales	Associate Superintendent, Human Resources
Steve Torres	Associate Superintendent, Administrative Services
Bridget Baublits	Associate Superintendent, Educational Services
Ellen Barger	Associate Superintendent, Curriculum and Instruction

	Second Period Report B9BC57F0	Annual Report 766EBD6E
Elementary		
Juvenile halls, homes, and camps	0.47	0.68
Probation referred, on probation or parole, expelled	0.03	0.06
Total Elementary	0.50	0.74
Secondary		
Juvenile halls, homes, and camps	30.16	34.76
Probation referred, on probation or parole, expelled	3.62	6.61
Total Secondary	33.78	41.37
Total K-12	34.28	42.11

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	General Fund
Fund Balance	
Balance, June 30, 2023, Unaudited Actuals	$ 40,231,193
Increase in	
Accounts payable	(596,834)
Decrease in	
Unearned revenue	596,834
Balance, June 30, 2023, Audited Financial Statements	$ 40,231,193

	(Budget) 2024 [1]	2023	2022 [1]	2021 [1]
County School Service Fund [3]				
Revenues	$ 74,285,464	$ 74,355,602	$ 63,600,612	$ 61,166,545
Other sources	6,020	306,836	1,463,610	1,036,054
Total revenues and other sources	74,291,484	74,662,438	65,064,222	62,202,599
Expenditures	76,116,113	65,641,132	60,827,381	53,266,448
Other uses	1,527,944	5,835,977	3,394,609	5,158,985
Total expenditures and other uses	77,644,057	71,477,109	64,221,990	58,425,433
Increase/(Decrease) in Fund Balance	(3,352,573)	3,185,329	842,232	3,777,166
Ending Fund Balance	$ 22,046,830	$ 25,399,403	$ 22,214,074	$ 21,371,842
Available Reserves [2]	$ 8,621,769	$ 25,128,343	$ 20,991,002	$ 19,332,205
Available Reserves as a Percentage of Total Outgo	11.10%	35.16%	32.69%	33.09%
Long-Term Liabilities including OPEB and Pensions	N/A	$ 54,469,464	$ 34,101,998	$ 54,433,208
K-12 Average Daily Attendance at Annual	34	42	33	101

The County School Service Fund balance has increased by $4,027,561 over the past two years. The fiscal year 2023-2024 budget projects a decrease of $3,352,573 (13.2%). 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 2023-2024 fiscal year. Total long-term liabilities have increased by $36,256 over the past two years.

Average daily attendance has decreased by 59 over the past two years. An additional decline of eight ADA is anticipated during fiscal year 2023-2024.

[1] Financial information for 2024, 2022, and 2021 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, 2023. 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 or changes in net position and fund balance 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.

SEFA 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 funds that in a previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, CACFP Emergency Operations Cost Reimbursement and ARP California State Preschool Program Rate Supplements revenues have been recorded in the current period as revenues but have not been expended as of June 30, 2023. These unspent balances are reported as legally restricted fund balance.

	Federal Financial Assistance Listing Number	Amount
Total Federal Revenues reported on the financial statements		$ 22,262,160
CACFP - Emergency Operations Costs Reimbursement	10.558	(31,515)
ARP California State Preschool Program Rate Supplements	93.575	(528,582)
COVID-19 ARP California State Preschool Program One-time Stipends	93.575	105,561
Total Federal Financial Assistance		$ 21,807,624

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, 2023

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 (*Government Auditing Standards*), 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, 2023, 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, 2023.

Adoption of New Accounting Standard

As discussed in Notes 1 and 17 to the financial statements, the County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to restate beginning net position. 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.

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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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of financial statement findings as item 2023-001, that we consider to be a material weakness.

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*.

Santa Barbara County Education Office's Response to Findings

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

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, 2023

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, 2023. 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, 2023.

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, 2023

Independent Auditor's Report on State Compliance

To the Governing Board
Santa Barbara County Education Office
Santa Barbara, California

Report on Compliance

Opinion on State Compliance

We have audited Santa Barbara County Education Office's (the County) compliance with the requirements specified in the *2022-2023 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, 2023.

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, 2023.

Basis for Opinion

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 *2022-2023 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. If the County has a qualified opinion, a consultation is required.

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 *2022-2023 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 a 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 *2022-2023 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 *2022-2023 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 controls 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:

2022-2023 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
Ratio of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
GANN Limit Calculation	Yes

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
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	
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
Home to School Transportation Reimbursement	No, see below
Independent Study Certification for ADA Loss Mitigation	Yes
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	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Transitional Kindergarten	No, see below
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.

The County did not elect to operate as a school district of choice; therefore, we did not perform procedures related to District of Choice.

The County did not receive Home-to-School Transportation Reimbursement; therefore, we did not perform procedures related to Home-to-School Transportation Reimbursement

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 did not report ADA for transitional kindergarten; therefore, we did not perform procedures related to Transitional Kindergarten.

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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2023-002.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs*.* The County's response was not subjected to the 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. 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 2023-002 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 finding 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 *2022-2023 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, 2023

Schedule of Findings and Questioned Costs
June 30, 2023

Santa Barbara County Education Office

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weakness identified	Yes
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 Number
Child Care and Development Fund Block Grant Cluster	93.575, 93.596
Child and Adult Care Food Program	10.558

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
Other matters to be reported	Yes
Type of auditor's report issued on compliance for programs	Unmodified

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

2023-001 30000 – Audit Adjustment (Material Weakness)

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure that the financial statements are free from material misstatements, whether due to error or fraud. Such internal controls should include a review of financial account balances to ensure that they agree to corresponding supporting records.

Condition

During the course of our engagement, we identified a material misstatement of a balance within the County's 2022-2023 unaudited actuals financial report. Through review of supporting records, we noted that the County School Service Fund's accounts payable balance and corresponding expenditures were understated by $596,834. Additionally, unearned revenue was overstated and state revenue was understated by the same amount of $596,834.

Questioned Costs

There were no questioned costs associated with the condition.

Context

The condition was identified as the result of our search for unrecorded liabilities and through our review of the state program revenues (resource 6388) related to the amount identified as a liability.

Effect

While there was no effect on the County School Service Fund's ending fund balance, accounts payable and related expenditures for resource 6388 were understated, state revenue was understated, and unearned revenue was overstated by $596,834. The net effect of these errors net to zero.

Cause

The County's internal control and review system was not able to detect the misstatement.

Repeat Finding

No.

Recommendation

Prior to closing the books, management should revie financial account balances to ensure that they have been correctly reported. Balances should be traced to supporting records to verify the accuracy and completeness of reported information.

Corrective Action Plan and Views of Responsible Officials

During the year-end close process, the Senior Accounting Technicians will follow up with the appropriate program personnel in verifying if there are any outstanding year-end payables or receivables. All program ending balances will be reviewed by the Senior Accounting Technicians, and any remaining balance will be reviewed with the appropriate program personnel to ensure the balance is reported correctly. A final review of ending balance by program is completed by the Fiscal Services Controller.

None reported.

The following finding represents a significant deficiency, and an instance of noncompliance including questioned costs that is required to be reported by the *2022-2023 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

2023-002 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 2022-2023 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 $154,718 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 $252. 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 prior-year finding 2022-001.

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 has expanded its Special Education preschool programs in 2023-2024. Staff will review current transportation requirements to the new preschool sites and the potential use of transportation funds for related services. The Santa Barbara County Education Office will continue to monitor transportation program costs.

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

State Compliance Findings

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.

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.

Current Status

Not implemented, see current-year finding 2023-002.