Financial Statements
June 30, 2020

Santa Barbara County Education Office

EideBailly

Schedule of Findings and Questioned Costs

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Barbara County Education Office (the County) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Barbara County Education Office, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison information on pages 62 through 63, schedule of changes in the County's net OPEB liability and related ratios on page 64, schedule of the County's proportionate share of the net OPEB liability – MPP program on page 65, schedule of the County's proportionate share of the net pension liability on page 66, and the schedule of County contributions on page 67, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Santa Barbara County Education Office's financial statements. The combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 1, 2021 on our consideration of Santa Barbara County Education Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Santa Barbara County Education Office's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Barbara County Education Office's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
February 1, 2021

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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, 2020, with comparative information for the year ended June 30, 2019. 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 and deferred outflows of resources of the County as well as all liabilities and deferred inflows of resources (including long-term liabilities). 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 69,000 students.

Our Mission

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

Students

Seventy-one 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 child development programs.

Teachers

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

Finance

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

County School Service Fund Revenues and Expenditures

County School Service Fund revenue increased by approximately 2.9 percent to $59,716,872 , between 2018-2019 and 2019-2020. This change is a result of increases in property taxes and State funding sources.

Expenditures in the County School Service Fund increased by about 1.4 percent to$51,784,242 , during the same period of time, primarily due to increases in property transfers out and activities related to categorical programs.

Solvency

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

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the County as a whole and about its activities. These statements include *all* assets and deferred outflows of resources and 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, one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net position are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the County's property tax base and the condition of the County's facilities.

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

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

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

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE COUNTY AS TRUSTEE

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or *fiduciary,* for funds held on behalf of others, such as funds for payroll withholding accounts. The County's fiduciary activities are reported in the *Statements of Fiduciary Net Position*. 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 $11,372,764 for the fiscal year ended June 30, 2020. Of this amount, $1,348,452 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	
	2020	2019
Assets		
Current and other assets	$ 67,338,088	$ 57,300,864
Capital assets	4,455,363	4,895,711
Total assets	71,793,451	62,196,575
Deferred outflows of resources	12,620,573	13,240,683
Liabilities		
Current liabilities	11,149,974	9,536,780
Long-term liabilities other than OPEB and Pensions	32,659	39,889
Other postemployment benefits (OPEB) liability	1,156,418	389,781
Aggregate net pension liabilities	52,869,477	50,808,176
Total liabilities	65,208,528	60,774,626
Deferred inflows of resources	7,832,732	9,737,131
Net Position		
Net investment in capital assets	4,455,363	4,895,711
Restricted	5,568,949	3,975,327
Unrestricted (deficit)	1,348,452	(3,945,537)
Total net position	$ 11,372,764	$ 4,925,501

The $1,348,452 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 $1,348,452 left.

Changes in Net Position

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

Table 2

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	$ 8,430,505	$ 8,288,791
Operating grants and contributions	45,916,750	41,174,377
General revenues		
Federal and State aid not restricted	4,533,667	4,665,601
Property taxes	19,091,043	18,073,631
Other general revenues	3,296,064	2,711,867
Total revenues	81,268,029	74,914,267
Expenses		
Instruction	31,711,864	31,420,204
Pupil services	8,004,569	7,676,522
Administration	11,739,718	10,816,767
Plant services	1,941,891	1,885,193
All other services	21,422,724	16,643,087
Total expenses	74,820,766	68,441,773
Change in net position	$ 6,447,263	$ 6,472,494

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was $74,820,766. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $19,091,043 because the cost was paid by those who benefited from the programs ($8,430,505) or by other governments and organizations who subsidized certain programs with grants and contributions ($45,916,750). We paid for the remaining "public benefit" portion of our governmental activities with $7,829,731 in unrestricted Federal and State funds and with other revenues, such as interest and general entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	$ 31,711,864	$ 31,420,204	$ (5,953,006)	$ (5,476,952)
Pupil services	8,004,569	7,676,522	(554,354)	(928,979)
Administration	11,739,718	10,816,767	(6,532,737)	(6,249,412)
Plant services	1,941,891	1,885,193	(1,661,528)	(1,528,717)
All other services	21,422,724	16,643,087	(5,771,886)	(4,794,545)
Total	$ 74,820,766	$ 68,441,773	$ (20,473,511)	$ (18,978,605)

THE COUNTY'S FUNDS

As the County completed this year, our governmental funds reported a combined fund balance of $56,188,114, which is an increase of $8,424,030, or 17.6 percent from last year (Table 4).

Table 4

	Balances and Activity			
Governmental Fund	June 30, 2019	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2020
County School Service	$ 25,999,245	$ 59,724,026	$ 58,294,795	$ 27,428,476
Child Development	2,786,222	21,587,293	20,664,210	3,709,305
Special Reserve Fund for Capital Outlay Projects	18,978,617	6,317,183	245,467	25,050,333
Forest Reserve	-	47,691	47,691	-
Total	$ 47,764,084	$ 87,676,193	$ 79,252,163	$ 56,188,114

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 2020. (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 62).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the County had $4,455,363 in a broad range of capital assets, including land, buildings, and furniture and equipment, net of depreciation, a decrease of $440,348, or 9.0 percent.

Table 5

	Governmental Activities 2020	Governmental Activities 2019
Land and construction in progress	$ 599,070	$ 559,851
Buildings and improvements	2,550,159	2,502,443
Equipment	1,306,134	1,833,417
Total	$ 4,455,363	$ 4,895,711

This year's additions of $251,931 included various facilities improvement projects and equipment for use in classrooms and support functions. No debt was issued for these additions. We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Liabilities other than OPEB and Pensions

At the end of this year, the County had $32,659 in long-term liabilities other than OPEB and Pensions versus $39,8896 last year, a decrease of $7,230, or 18.1 percent.

	Governmental Activities 2020	Governmental Activities 2019
Long-Term Liabilities		
Compensated absences	$ 32,659	$ 39,889

OPEB and Pensions

At year-end, the County had other postemployment benefits (OPEB) liability of $1,156,418 versus $389,781 last year, an increase of $766,637, or 196.7 percent.

At year-end, the County had a net pension liability of $52,869,477 versus $50,808,176 last year, an increase of $2,061,301, or 4.1 percent.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the budget for the 2020- 2021 fiscal year, the criteria used include the following key assumptions:

Revenue Projections

1. Local Control Funding Formula income will decrease by 10.00 percent due to a reduction in LCFF funding included in the Governor’s May Revision.
2. Interest earnings will remain fairly stable.
3. Federal income in the County School Service Fund will decrease due to decreases in various Federal programs.
4. Other State income will increase due to an increase in various State programs.

Expenditure Projections

5. Salaries and benefits will have a 1.00 percent cost of living applied.
6. Salaries and benefits will increase by approximately 1.19 percent due to step and column changes for existing staffing.
7. Health and welfare costs will increase by 13.0 percent partially due to an increase in health insurance premiums.
8. Utility costs will increase by 5.0 percent.
9. Expenditures for supplies and services will increase 2.53 percent due to increases 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	$ 58,592,748
Receivables	8,737,791
Prepaid expense	7,549
Capital assets not depreciated	599,070
Capital assets, net of accumulated depreciation	3,856,293
Total capital assets	4,455,363
Total assets	71,793,451
Deferred Outflows of Resources	
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	693,665
Deferred outflows of resources related to pensions	11,926,908
Total deferred outflows of resources	12,620,573
Liabilities	
Accounts payable	9,463,414
Unearned revenue	1,686,560
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due in more than one year	32,659
Net other postemployment benefits liabilities	1,156,418
Aggregate net pension liabilities	52,869,477
Total liabilities	65,208,528
Deferred Inflows of Resources	
Deferred inflows of resources related to other postemployment benefits (OPEB) liability	2,562
Deferred inflows of resources related to pensions	7,830,170
Total deferred inflows of resources	7,832,732
Net Position	
Net investment in capital assets	4,455,363
Restricted for	
Capital projects	372,042
Educational programs	3,148,837
Child development	2,048,070
Unrestricted	1,348,452
Total net position	$ 11,372,764

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	$ 20,589,830	$ 1,951,846	$ 15,702,773	$ (2,935,211)
Instruction-related activities				
Supervision of instruction	8,429,920	2,545,699	3,366,365	(2,517,856)
Instructional library, media, and technology	771,850	107,192	186,376	(478,282)
School site administration	1,920,264	742,434	1,156,173	(21,657)
Pupil services				
Home-to-school transportation	22,877	-	-	(22,877)
Food services	676,956	-	637,265	(39,691)
All other pupil services	7,304,736	938,144	5,874,806	(491,786)
Administration				
Data processing	2,392,676	838,811	8,243	(1,545,622)
All other administration	9,347,042	441,237	3,918,690	(4,987,115)
Plant services	1,941,891	28,919	251,444	(1,661,528)
Community services	15,505,616	730,817	14,647,486	(127,313)
Enterprise services	60,376	68,660	675	8,959
Other outgo	5,856,732	36,746	166,454	(5,653,532)
Total governmental activities	$ 74,820,766	$ 8,430,505	$ 45,916,750	(20,473,511)
General Revenues and Subventions				
Property taxes, levied for general purposes				18,898,297
Taxes levied for other specific purposes				192,746
Federal and State aid not restricted to specific purposes				4,533,667
Interest and investment earnings				957,118
Interagency revenues				516,204
Miscellaneous				1,822,742
Subtotal, general revenues				26,920,774
Change in Net Position				6,447,263
Net Position - Beginning				4,925,501
Net Position - Ending				$ 11,372,764

	County School Service Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects	Total Governmental Funds
Assets				
Deposits and investments	$ 35,860,602	$ 3,770,240	$ 18,961,906	$ 58,592,748
Receivables	5,545,045	3,191,849	897	8,737,791
Due from other funds	1,422,166	19,617	6,138,531	7,580,314
Prepaid expenditures	7,207	342	-	7,549
Total assets	$ 42,835,020	$ 6,982,048	$ 25,101,334	$ 74,918,402
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 7,588,557	$ 1,823,856	$ 51,001	$ 9,463,414
Due to other funds	6,158,148	1,422,166	-	7,580,314
Unearned revenue	1,659,839	26,721	-	1,686,560
Total liabilities	15,406,544	3,272,743	51,001	18,730,288
Fund Balances				
Nonspendable	12,207	342	-	12,549
Restricted	3,148,837	2,048,070	372,042	5,568,949
Assigned	9,388,638	1,660,893	24,678,291	35,727,822
Unassigned	14,878,794	-	-	14,878,794
Total fund balances	27,428,476	3,709,305	25,050,333	56,188,114
Total liabilities and fund balances	$ 42,835,020	$ 6,982,048	$ 25,101,334	$ 74,918,402

Total Fund Balance - Governmental Funds		$ 56,188,114
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	$ 9,467,984	
Accumulated depreciation is	(5,012,621)	
Net capital assets		4,455,363
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Other postemployment benefits (OPEB) liability	693,665	
Net pension liability	11,926,908	
Total deferred outflows of resources		12,620,573
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits (OPEB) liability	(2,562)	
Net pension liability	(7,830,170)	
Total deferred inflows of resources		(7,832,732)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(52,869,477)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(1,156,418)
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		
Compensated absences (vacations)		(32,659)
Total net position - governmental activities		$ 11,372,764

	County School Service Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects
Revenues			
Local Control Funding Formula	$ 22,967,336	$ -	$ -
Federal sources	1,066,403	8,550,023	-
Other State sources	8,630,201	10,544,284	-
Other local sources	27,052,932	2,120,963	178,652
Total revenues	59,716,872	21,215,270	178,652
Expenditures			
Current			
Instruction	17,983,273	1,688,382	-
Instruction-related activities			
Supervision of instruction	8,010,036	125,212	-
Instructional library, media, and technology	742,598	-	-
School site administration	191,611	1,686,593	-
Pupil services			
Home-to-school transportation	22,456	-	-
Food services	18,090	657,538	-
All other pupil services	6,812,062	180,914	-
Administration			
Data processing	2,301,091	-	-
All other administration	7,419,152	1,423,228	-
Plant services	1,826,559	3,213	34,676
Community services	575,830	14,899,130	-
Other outgo	5,816,195	-	-
Enterprise services	54,639	-	-
Facility acquisition and construction	10,649	-	210,791
Total expenditures	51,784,241	20,664,210	245,467
Excess (Deficiency) of Revenues Over Expenditures	7,932,631	551,060	(66,815)
Other Financing Sources (Uses)			
Transfers in	7,154	372,023	6,138,531
Transfers out	(6,510,554)	-	-
Net Financing Sources (Uses)	(6,503,400)	372,023	6,138,531
Net Change in Fund Balances	1,429,231	923,083	6,071,716
Fund Balance - Beginning	25,999,245	2,786,222	18,978,617
Fund Balance - Ending	$ 27,428,476	$ 3,709,305	$ 25,050,333

	Non-Major Governmental Funds	Total Governmental Funds
Revenues		
Local Control Funding Formula	$ -	$ 22,967,336
Federal sources	47,691	9,664,117
Other State sources	-	19,174,485
Other local sources	-	29,352,547
Total revenues	47,691	81,158,485
Expenditures		
Current		
Instruction	-	19,671,655
Instruction-related activities		
Supervision of instruction	-	8,135,248
Instructional library, media, and technology	-	742,598
School site administration	-	1,878,204
Pupil services		
Home-to-school transportation	-	22,456
Food services	-	675,628
All other pupil services	-	6,992,976
Administration		
Data processing	-	2,301,091
All other administration	-	8,842,380
Plant services	-	1,864,448
Community services	-	15,474,960
Other outgo	40,537	5,856,732
Enterprise services	-	54,639
Facility acquisition and construction	-	221,440
Total expenditures	40,537	72,734,455
Excess (Deficiency) of Revenues Over Expenditures	7,154	8,424,030
Other Financing Sources (Uses)		
Transfers in	-	6,517,708
Transfers out	(7,154)	(6,517,708)
Net Financing Sources (Uses)	(7,154)	-
Net Change in Fund Balances	-	8,424,030
Fund Balance - Beginning	-	47,764,084
Fund Balance - Ending	$ -	$ 56,188,114

Total Net Change in Fund Balances - Governmental Funds		$ 8,424,030
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation expense exceeds capital outlays in the period.		
Depreciation expense	$ (647,258)	
Capital outlays	251,931	
Net expense adjustment		(395,327)
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(45,021)
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.		7,230
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 net pension liability during the year.		(1,581,427)
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.		37,778
Change in net position of governmental activities		$ 6,447,263

	Agency Funds
Assets	
Deposits and investments	$ 25,401,427
Liabilities	
Due to other agencies	$ 25,401,427

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

As a result, the County School Service Fund reflects an increase of $9,833,800 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 assets held in trustee or agent capacity for others that cannot be used to support the County's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. The County has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The County's agency funds account for the payroll taxes and retirement payments for all public educational agencies in Santa Barbara County.

Basis of Accounting - Measurement Focus

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

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each governmental program and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The County does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the County. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

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 funds are aggregated and presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the County.

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

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

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

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

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

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.

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.

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Liabilities

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

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2020, 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.

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 Country against revenue shortfalls, unexpected expenditures, and to meet the cash-flow needs of the office, recognizing the impact of state deferrals and the practice of advancing cash to programs that begin before funding is received. This practice of reserving for economic uncertainties necessitates starting with the State's recommended minimum reserve of three percent and adding to its sufficient unassigned reserves to meet the unique cash needs of the County.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The County has no related debt outstanding as of June 30, 2020. 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 $5,568,949 of restricted net position.

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The provisions of this Statement have been implemented as of June 30, 2020.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the County's financial statements have not yet been determined.

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the County's financial statements have not yet been determined.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the County's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the County's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the County's financial statements have not yet been determined.

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

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

Early implementation is encouraged. The effects of this change on the County’s financial statements have not yet been determined.

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

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

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the County's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the County's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the County's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the County's financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental funds	$ 58,592,748
Fiduciary funds	25,401,427
Total deposits and investments	$ 83,994,175

Deposits and investments as of June 30, 2020, consist of the following:

Cash in revolving	$ 5,000
Investments	83,989,175
Total deposits and investments	$ 83,994,175

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 $83,989,175 with the Santa Barbara County Treasury Investment Pool. This investment has an average weighted maturity of 289 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, 2020.

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 percent 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 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the County's bank balance of $5,209 was not exposed to custodial credit risk because it was fully insured.

Note 3 - Receivables

Receivables at June 30, 2020, 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	$ 1,193,889	$ 1,672,047	$ -	$ 2,865,936
State Government				
LCFF apportionment	381,238	-	-	381,238
Categorical aid	1,038,702	1,171,253	-	2,209,955
Lottery	-	-	-	-
Special education	1,735,825	-	-	1,735,825
Local Government				
Interest	178,593	12,736	897	192,226
Other local sources	1,016,798	335,813	-	1,352,611
Total	$ 5,545,045	$ 3,191,849	$ 897	$ 8,737,791

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	$ 500,000	$ -	$ -	$ 500,000
Construction in progress	59,851	158,958	(119,739)	99,070
Total capital assets not being depreciated	559,851	158,958	(119,739)	599,070
Capital assets being depreciated				
Land improvements	86,978	-	-	86,978
Buildings and improvements	4,049,906	182,221	-	4,232,127
Furniture and equipment	5,084,098	30,491	(564,780)	4,549,809
Total capital assets being depreciated	9,220,982	212,712	(564,780)	8,868,914
Total capital assets	9,780,833	371,670	(684,519)	9,467,984
Accumulated depreciation				
Land improvements	(70,719)	(8,497)	-	(79,216)
Buildings and improvements	(1,563,722)	(126,008)	-	(1,689,730)
Furniture and equipment	(3,250,681)	(512,753)	519,759	(3,243,675)
Total accumulated depreciation	(4,885,122)	(647,258)	519,759	(5,012,621)
Governmental activities capital assets, net	$ 4,895,711	$ (275,588)	$ (164,760)	$ 4,455,363

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 323,629
Data processing	45,308
All other administration	233,013
Plant services	45,308
Total depreciation expenses governmental activities	$ 647,258

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2020, between major and non-major governmental funds are as follows:

	Due From		
Due To	County School Service Fund	Child Development Fund	Total
County School Service Fund	$ -	$ 1,422,166	$ 1,422,166
Child Development Fund	19,617	-	19,617
Special Reserve Fund for Capital Outlay Projects	6,138,531	-	6,138,531
Total	$ 6,158,148	$ 1,422,166	$ 7,580,314

The balance of $1,422,166 due to the County School Service Fund from the Child Development Fund resulted from indirect costs charges.

The balance of $19,617 due to the Child Development Fund from the County School Service Fund resulted from A program balance adjustment transfer.

The balance of $6,138,531 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, 2020, consisted of the following:

Transfer To	Transfer From: County School Service Fund	Transfer From: Non-Major Governmental Funds	Total
County School Service Fund	$ -	$ 7,154	$ 7,154
Child Development Fund	372,023	-	372,023
Special Reserve Fund for Capital Outlay Projects	6,138,531	-	6,138,531
Total	$ 6,510,554	$ 7,154	$ 6,517,708

The Forest Reserve Non-Major Governmental Fund transferred to the County School Service Fund for the County Education Office's portion of the grant.	$ 7,154
The County School Service Fund transferred to the Child Development Fund a program contribution.	372,023
The County School Service Fund transferred to the Special Reserve Fund for Capital Outlay Projects for future capital outlay purposes.	6,138,531
Total	$ 6,517,708

Note 6 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	County School Service Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects	Total
Vendor payables	$ 855,008	$ 1,798,645	$ 51,001	$ 2,704,654
LCFF apportionment	5,604,708	-	-	5,604,708
Salaries and benefits	868,866	4,880	-	873,746
Other	259,975	20,331	-	280,306
Total	$ 7,588,557	$ 1,823,856	$ 51,001	$ 9,463,414

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2020, consists of the following:

	County School Service Fund	Child Development Fund	Total
Federal financial assistance	$ 351,306	$ 23,836	$ 375,142
State categorical aid	418,613	2,885	421,498
Other local	889,920	-	889,920
Total	$ 1,659,839	$ 26,721	$ 1,686,560

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

Summary

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Long-Term Liabilities				
Compensated absences	$ 39,889	$ -	$ (7,230)	$ 32,659

Compensated Absences

Compensated absences (unpaid employee vacation) for the County at June 30, 2020, amounted to $32,659. The compensated absences will be paid by the County School Service Fund.

Note 9 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2020, the County reported net OPEB liability, deferred outflows, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
County Plan	$ 1,001,136	$ 693,665	$ 2,562	$ (34,911)
Medicare Premium Payment (MPP) Program	155,282	-	-	(2,867)
Total	$ 1,156,418	$ 693,665	$ 2,562	$ (37,778)

The details of each plan are as follows:

County Plan

Plan Administration

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

Plan Membership

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

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

Benefits Provided

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

The benefit payment requirements of the Plan members and the County are established and may be amended by the County, the Santa Barbara County Education Association (SBCEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements. For the measurement period of June 30, 2019, the County paid $55,011 in benefits.

Total OPEB Liability of the County

The County's total OPEB liability of $1,001,136 was measured as of June 30, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.63	percent
Salary increases	2.75	percent, average, including inflation
Discount rate	2.20	percent
Healthcare cost trend rates	4.00	percent for 2020

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

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

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2019	$ 231,632
Service cost	2,066
Interest	7,181
Differences between expected and actual experience	815,268
Benefit payments	(55,011)
Net change in total OPEB liability	769,504
Balance, June 30, 2020	$ 1,001,136

Changes of assumptions and other inputs reflect a change in the inflation rate from 4.00 percent in 2019 to 2.63 percent in 2020, a change in the rate of salary increases from 3.00 percent in 2019 to 2.75 percent in 2020, a change in the discount rate from 3.50 percent in 2019 to 2.20 percent in 2020, and a change in the health care cost trend rate from 6.77 percent in 2019 to 4.00 percent in 2020.

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 (1.20%)	$ 1,049,572
Current discount rate (2.20%)	1,001,136
1% increase (3.20%)	954,390

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%)	$ 919,581
Current healthcare cost trend rate (4.00%)	1,001,136
1% increase (5.00%)	1,097,240

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

For the year ended June 30, 2020, the County recognized OPEB expense of $(34,911). At June 30, 2020, 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	$ 693,665	$ -
Changes of assumptions	-	2,562
Total	$ 693,665	$ 2,562

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 39,681
2022	39,681
2023	70,513
2024	68,510
2025	68,510
Thereafter	404,208
Total	$ 691,103

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, 2018 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, 2020, the County reported a liability of $155,282 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. 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, 2019 and June 30, 2018, respectively, was 0.0417 percent, and 0.0413 percent, resulting in a net increase in the proportionate share of 0.0004 percent.

For the year ended June 30, 2020, the County recognized OPEB expense of $(2,867).

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) 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 380 or an average of 0.23 percent of the potentially eligible population (165,422).

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, 2019, 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, 2019, is 3.50 percent. 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 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

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 (2.50%)	$ 169,449
Current discount rate (3.50%)	155,282
1% increase (4.50%)	142,257

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.70% Part A and 3.10% Part B)	$ 145,546
Current Medicare costs trend rate (3.70% Part A and 4.10% Part B)	155,282
1% increase (4.70% Part A and 5.10% Part B)	174,730

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	County School Service Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects	Total
Nonspendable				
Revolving cash	$ 5,000	$ -	$ -	$ 5,000
Prepaid expenditures	7,207	342	-	7,549
Total nonspendable	12,207	342	-	12,549
Restricted				
Legally restricted programs	3,148,837	2,048,070	-	5,196,907
Capital projects	-	-	372,042	372,042
Total restricted	3,148,837	2,048,070	372,042	5,568,949
Assigned				
Capital projects	-	-	24,678,291	24,678,291
Other program balances	9,388,638	1,660,893	-	11,049,531
Total assigned	9,388,638	1,660,893	24,678,291	35,727,822
Unassigned				
Reserve for economic uncertainties	5,044,994	-	-	5,044,994
Remaining unassigned	9,833,800	-	-	9,833,800
Total unassigned	14,878,794	-	-	14,878,794
Total	$ 27,428,476	$ 3,709,305	$ 25,050,333	$ 56,188,114

Note 11 - Risk Management

The County is exposed to various risks of losses related to torts; thefts of, damage to, 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, 2020, information was not available that indicates that the County has an outstanding obligation for any calculated deficits. See Note 14 for additional information regarding the pools.

Note 12 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2020, 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	$ 21,288,721	$ 5,224,443	$ 6,099,855	$ 1,351,575
CalPERS	31,580,756	6,702,465	1,730,315	3,544,714
Total	$ 52,869,477	$ 11,926,908	$ 7,830,170	$ 4,896,289

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, 2018, 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 percent 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, 2020, 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	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

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 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the County's total contributions were $2,095,290.

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

At June 30, 2020, the County reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the County. The amount recognized by the County as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the County were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 21,288,721
State's proportionate share of the net pension liability	11,614,419
Total	$ 32,903,140

The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, respectively, was 0.0236 percent and 0.0230 percent, resulting in a net increase in the proportionate share of 0.0006 percent.

For the year ended June 30, 2020, the County recognized pension expense of $1,351,575. In addition, the County recognized pension expense and revenue of $1,729,637 for support provided by the State. At June 30, 2020, 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	$ 2,095,290	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	382,852	4,679,915
Differences between projected and actual earnings on pension plan investments	-	820,048
Differences between expected and actual experience in the measurement of the total pension liability	53,743	599,892
Changes of assumptions	2,692,558	-
Total	$ 5,224,443	$ 6,099,855

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,	Outflows/(Inflows) of Resources
2021	$ (82,716)
2022	(651,021)
2023	(135,162)
2024	48,851
Total	$ (820,048)

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
2021	$ (621,041)
2022	(621,042)
2023	(550,846)
2024	3,506
2025	(362,848)
Thereafter	1,617
Total	$ (2,150,654)

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, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 31,700,668
Current discount rate (7.10%)	21,288,721
1% increase (8.10%)	12,655,234

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, 2018 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, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

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 the 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, 2020, are presented above and the total County contributions were $2,905,093.

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

As of June 30, 2020, the County reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $31,580,756. The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, respectively, was 0.1084 percent and 0.1112 percent, resulting in a net decrease in the proportionate share of 0.0028 percent.

For the year ended June 30, 2020, the County recognized pension expense of $3,544,714. At June 30, 2020, 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	$ 2,905,093	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	-	1,437,398
Differences between projected and actual earnings on pension plan investments	-	292,917
Differences between expected and actual experience in the measurement of the total pension liability	2,294,030	-
Changes of assumptions	1,503,342	-
Total	$ 6,702,465	$ 1,730,315

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
2021	$ 289,143
2022	(577,551)
2023	(87,521)
2024	83,012
Total	$ (292,917)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 1,475,810
2022	655,478
2023	207,894
2024	20,792
Total	$ 2,359,974

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, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 45,521,583
Current discount rate (7.15%)	31,580,756
1% increase (8.15%)	20,015,877

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 $1,213,163 (10.328 percent 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.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been included in the budgeted amounts reported in the *County School Service Fund – Budgetary Comparison Schedule and Child Development Fund – Budgetary Comparison Schedule.*

Note 13 - Commitments and Contingencies

Grants

The County received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the County School Service Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County at June 30, 2020.

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, 2020.

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

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

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

During the year ended June 30, 2020, the County made payments of $56,638, $8,257,688, and $424,234 to SISC II, SISC III, and SIPE, respectively, for services received.

Note 15 - Subsequent Events

Subsequent to year-end, the County has been negatively impacted by the effects of the world-wide coronavirus pandemic. The County is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the County's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

Required Supplementary Information
June 30, 2020

Santa Barbara County Education Office

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 21,559,855	$ 22,727,625	$ 22,967,336	$ 239,711
Federal sources	1,637,926	2,254,385	1,066,403	(1,187,982)
Other State sources	6,162,662	10,535,638	8,630,201	(1,905,437)
Other local sources	27,139,619	26,849,181	27,052,932	203,751
Total revenues [1]	56,500,062	62,366,829	59,716,872	(2,649,957)
Expenditures				
Current				
Certificated salaries	13,026,093	12,713,050	12,396,153	316,897
Classified salaries	13,993,724	13,850,762	13,302,197	548,565
Employee benefits	14,556,993	13,845,908	12,948,951	896,957
Books and supplies	732,788	842,358	574,347	268,011
Services and operating expenditures	9,018,090	13,229,622	8,138,582	5,091,040
Other outgo	3,380,726	398,858	4,392,967	(3,994,109)
Capital outlay	356,500	4,499,101	31,044	4,468,057
Total expenditures [1]	55,064,914	59,379,659	51,784,241	7,595,418
Excess of Revenues Over Expenditures	1,435,148	2,987,170	7,932,631	4,945,461
Other Financing Sources (Uses)				
Transfers in	6,952	6,020	7,154	1,134
Transfers out	(2,845,893)	(6,510,554)	(6,510,554)	-
Net financing sources (uses)	(2,838,941)	(6,504,534)	(6,503,400)	1,134
Net Change in Fund Balances	(1,403,793)	(3,517,364)	1,429,231	4,946,595
Fund Balance - Beginning	25,999,245	25,999,245	25,999,245	-
Fund Balance - Ending	$ 24,595,452	$ 22,481,881	$ 27,428,476	$ 4,946,595

[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	$ 7,297,739	$ 8,697,895	$ 8,550,023	$ (147,872)
Other State sources	9,774,704	12,025,788	10,544,284	(1,481,504)
Other local sources	1,716,759	2,014,384	2,120,963	106,579
Total revenues	18,789,202	22,738,067	21,215,270	(1,522,797)
Expenditures				
Current				
Certificated salaries	904,918	928,911	874,662	54,249
Classified salaries	1,374,352	1,510,541	1,496,952	13,589
Employee benefits	1,433,449	1,571,478	1,474,241	97,237
Books and supplies	309,768	391,214	229,793	161,421
Services and operating expenditures	13,980,655	17,145,767	15,155,234	1,990,533
Other outgo	1,341,085	1,549,390	1,423,228	126,162
Capital Outlay	-	54,600	10,100	44,500
Total expenditures	19,344,227	23,151,901	20,664,210	2,487,691
Excess (Deficiency) of Revenues Over Expenditures	(555,025)	(413,834)	551,060	964,894
Other Financing Sources				
Transfers in	372,023	372,023	372,023	-
Net Change in Fund Balances	(183,002)	(41,811)	923,083	964,894
Fund Balance - Beginning	2,786,222	2,786,222	2,786,222	-
Fund Balance - Ending	$ 2,603,220	$ 2,744,411	$ 3,709,305	$ 964,894

	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,	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.

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability (asset)	0.0236%	0.0230%	0.0262%	0.0292%	0.0340%	0.0343%
Proportionate share of the net pension liability (asset)	$ 21,288,721	$ 21,156,279	$ 24,245,483	$ 23,576,845	$ 22,899,487	$ 20,021,380
State's proportionate share of the net pension liability (asset)	11,614,419	12,112,959	14,343,423	13,421,877	12,111,304	12,089,774
Total	$ 32,903,140	$ 33,269,238	$ 38,588,906	$ 36,998,722	$ 35,010,791	$ 32,111,154
Covered payroll	$ 12,624,889	$ 12,645,412	$ 13,963,752	$ 15,518,108	$ 15,541,351	15,315,979
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	168.63%	167.30%	173.63%	151.93%	147.35%	130.72%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
Proportion of the net pension liability (asset)	0.1084%	0.1112%	0.1149%	0.1292%	0.1546%	0.1760%
Proportionate share of the net pension liability (asset)	$ 31,580,756	$ 29,651,897	$ 27,435,257	$ 25,526,156	$ 22,787,829	$ 19,980,319
Covered payroll	$ 14,811,975	$ 14,672,442	$ 15,146,587	$ 15,688,225	$ 16,834,560	18,083,223
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	213.21%	202.09%	181.13%	162.71%	135.36%	110.49%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

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

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedules

The County employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State 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 inflation rate from 4.00 percent in 2019 to 2.63 percent in 2020, a change in the rate of salary increases from 3.00 percent in 2019 to 2.75 percent in 2020, a change in the discount rate from 3.50 percent in 2019 to 2.20 percent in 2020, and a change in the health care cost trend rate from 6.77 percent in 2019 to 4.00 percent in 2020.

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.87 percent to 3.50 percent since the previous valuation.

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

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

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

Schedule of County Contributions

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

Supplementary Information
June 30, 2020

Santa Barbara County Education Office

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
Special Education Cluster			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	$ 154,494
Preschool Grants, Part B, Sec 619	84.173	13430	8,990
Total Special Education Cluster			163,484
Title I, Part D - Local Delinquent Programs	84.010	14357	426,941
School Improvement (CSI) Funding for COEs	84.010	15439	42,401
			469,342
Early Intervention Grants, Part C	84.181	23761	127,331
Title IX, Homeless Children Education (Stewart McKinney)	84.196	14332	192,183
Title II, Part A - Supporting Effective Instruction	84.367	14341	8,973
Immediate Aid to Restart School Operations	84.938	15389	161,160
Total U.S. Department of Education			1,122,473
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Cluster			
National School Lunch	10.555	13396	7,422
Total Child Nutrition Cluster			7,422
Forest Service Schools and Roads Cluster			
Forest Reserve	10.665	10044	47,691
Total Forest Service Schools and Roads Cluster			47,691
Child and Adult Care Food Program	10.558	13393	549,597
CCFP Cash in Lieu of Commodities	10.558	13534	1,063
CCFP Family Day Care Sponsor Admin	10.558	13665	68,640
Subtotal			619,300
Total U.S. Department of Agriculture			674,413
U.S. Department of Health and Human Services			
Passed through CDE			
Child Care and Development Fund Block Grant Cluster			
Federal Alternative Payment	93.596	13694	5,062,922
Quality Improvement Activities	93.575	14092	529,594
Local Planning Councils	93.575	13946	56,647
Federal Child Care, Center-based	93.575	15136	22,586
Federal Alternative Payment, Stage 2	93.575	14178	447,181
Federal Alternative Payment, Stage 3	93.596	14985	1,748,301
Total Child Care and Development Fund Block Grant Cluster			7,867,231
Total U.S. Department of Health and Human Services			7,867,231
Total Federal Programs			$ 9,664,117

ORGANIZATION

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

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

COUNTY BOARD OF EDUCATION

MEMBER	TRUSTEE AREA	OFFICE	TERM EXPIRES
Ms. Roberta Heter	4	President	2020
Ms. Maggi Daane	7	Vice President	2022
Dr. Richard Fulton	3	Member	2020
Mrs. Judith Frost	5	Member	2022
Mr. Weldon U. Howell, Jr.	6	Member	2020
Dr. Peter R. MacDougall	2	Member	2020
Mrs. Marybeth Carty	1	Member	2022

ADMINISTRATION

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

	Annual ADA	
	2019-2020	2018-2019
Elementary		
Juvenile halls, homes, and camps	3	2
Probation referred, on probation or parole, expelled	-	3
Total Elementary	3	5
Secondary		
Juvenile halls, homes, and camps	92	70
Probation referred, on probation or parole, expelled	6	5
Total Secondary	98	75
Total K-12	101	80

Summarized below is the Average Daily Attendance (ADA) generated by school districts participating in the Santa Barbara County Master Plan for Special Education and the Community Schools Program at the second period of the current fiscal year.

	Second Period ADA					
	Community Schools			Special Education		
	Elementary	High School	Total	Elementary	High School	Total
Regular	12	2	14	43	11	54
Extended year	-	-	-	5	2	7
Total	12	2	14	48	13	61

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2020.

	(Budget) 2021 [1]	2020	2019	2018
County School Service Fund [3]				
Revenues	$ 64,754,663	$ 59,716,872	$ 58,014,324	$ 51,830,895
Other sources	180,910	7,154	7,438	13,405
Total Revenues and Other Sources	64,935,573	59,724,026	58,021,762	51,844,300
Expenditures	65,215,459	51,784,241	51,092,762	47,253,775
Other uses and transfers out	1,270,002	6,510,554	5,492,979	4,364,311
Total Expenditures and Other Uses	66,485,461	58,294,795	56,585,741	51,618,086
Increase/(Decrease) in Fund Balance	(1,549,888)	1,429,231	1,436,021	226,214
Ending Fund Balance	$ 16,044,788	$ 17,594,676	$ 16,165,445	$ 14,729,424
Available Reserves [2]	$ 6,844,922	$ 14,878,794	$ 13,359,411	$ 14,018,126
Available Reserves as a Percentage of Total Outgo	10.30%	25.52%	24.40%	27.20%
Long-Term Liabilities including OPEB and Pensions	N/A	$ 54,058,554	$ 51,237,886	$ 52,357,031
K-12 Average Daily Attendance at P-2	75	101	80	110

The County School Service Fund balance has increased by $2,865,252 over the past two years. The fiscal year 2020-2021 budget projects a decrease of $1,549,888 (8.8 percent). For a County this size, the State recommends available reserves of at least three percent of total County School Service Fund expenditures, transfers out, and other uses (total outgo).

The County has incurred operating surpluses in each the past three years, but anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by $1,701,523 over the past two years.

Average daily attendance has decreased by nine over the past two years. An additional decline of 26 ADA is anticipated during fiscal year 2020-2021.

[1] Budget 2021 is 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, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Santa Barbara County Education Office, it is not intended to and does not present the net position of the County.

Summary of Significant Accounting Policies
Expenditures reported in the schedule are reported on the *modified accrual* basis of accounting. 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. No federal financial assistance has been provided to a subrecipient.

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

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

Local Education Agency Organization Structure

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

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 counties. 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, 2020

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 Directors and
Superintendent of Schools
Santa Barbara County Education Office
Santa Barbara, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Barbara County Education Office, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Santa Barbara County Education Office's basic financial statements and have issued our report thereon dated February 1, 2021.

Internal Control over Financial Reporting

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

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
February 1, 2021

CPAs & BUSINESS ADVISORS

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 Directors and
Superintendent of Schools
Santa Barbara County Education Office
Santa Barbara, California

Report on Compliance for Each Major Federal Program

We have audited Santa Barbara County Education Office's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Santa Barbara County Education Office's major federal programs for the year ended June 30, 2020. Santa Barbara County Education Office's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, Santa Barbara County Education Office's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
February 1, 2021

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on State Compliance

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

Report on State Compliance
We have audited Santa Barbara County Education Office's (the County) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

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

Auditor's Responsibility
Our responsibility is to express an opinion on the County's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of the 2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the County's 'compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Compliance Requirements Tested

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

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

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

We did not perform procedures for Independent Study because the independent study ADA was under the level that requires testing.

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.

The County does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

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

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

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

The County did not receive funding for the California Clean Energy Jobs Act; therefore, we did not perform any procedures for the California Clean Energy Jobs Act.

We did not perform procedures for the After/Before School Education and Safety Program because the County does 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 does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Basis for Qualified Opinion on Transportation Maintenance of Effort
As described in the accompanying Schedule of State Compliance Findings and Questioned Costs as item 2020-001, Santa Barbara County Education Office did not comply with requirements regarding Transportation Maintenance of Effort. Compliance with such requirements is necessary, in our opinion, for Santa Barbara County Education Office to comply with the requirements applicable to that program.

Qualified Opinion on Transportation Maintenance of Effort
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Santa Barbara County Education Office complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2020.

Santa Barbara County Education Office's response to the noncompliance finding identified in our audit is described in the accompanying *Schedule of State Compliance Findings and Questioned Costs.* Santa Barbara County Education Office's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Unmodified Opinion on Each of the Other Programs
In our opinion, Santa Barbara County Education Office complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020, except as described in the accompanying Schedule of State Compliance Findings and Questioned Costs.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2019-2020 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
February 1, 2021

Schedule of Findings and Questioned Costs
June 30, 2020

Santa Barbara County Education Office

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major program:	
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:	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Child Care and Development Fund Block Grant Cluster	93.575 and 93.596

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

Type of auditor's report issued on compliance for programs:	Unmodified*

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

Name of Program
Transportation Maintenance of Effort

None reported.

None reported.

The following finding represents an instance of noncompliance relating to compliance with state laws and regulations. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2020-001 Code

Criteria or Specific Requirements

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

Condition

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

Questioned Costs

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

Context

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

Effect

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

Cause

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

Repeat Finding (Yes or No)

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

Recommendation

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

Corrective Action Plan

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

2019-001 Code 40000

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 2018-2019 fiscal year, the County must expend no less than the amount of funds expended, or the amount of revenue received, if that is less, for the purpose of that program in the 2012-13 fiscal year.

Condition

The County is deficient in meeting the maintenance of effort requirement for its Transportation Program. Specifically, the County was deficient by $112,891 for the Transportation Program.

Questioned Costs

There were no questioned costs associated with the condition identified. However, the County was deficient in meeting its Regional Transportation Maintenance of Effort by $112,891.

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 $42,079. The total amount expended by the County did not meet the required level of maintenance of effort which was identified as $154,970 for the Transportation Program.

Effect

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

Cause

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

Repeat Finding (Yes or No)

Yes

Recommendation

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

Current status

Not implemented. See item 2020-001 in the accompanying *Schedule of State Compliance Findings and Questioned Costs*.