Financial Statements
June 30, 2025

Santa Barbara County Education Office

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Barbara County Education Office (the County), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Barbara County Education Office, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Note 16 to the financial statements, the County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S*. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements The other information comprises the Local Education Agency Organization Structure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2025

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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, 2025, with comparative information for the year ended June 30, 2024. Please read it in conjunction with the County's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

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

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

GENERAL INFORMATION AND FINANCIAL HIGHLIGHTS OF THE PAST YEAR

Who We Are

The Santa Barbara County Education Office is an intermediate agency between the California Department of Education and the 20 school districts and two community college districts that are located within the County's boundaries. The K-12 enrollment County-wide is approximately 66,000 students.

Our Mission

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

Students

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

Teachers

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

Finance

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

County School Service Fund Revenues and Expenditures

County School Service Fund revenue increased by approximately 10% to $93,616,670, between 2023-2024 and 2024-2025. This change is a result of increases in the Local Control Funding Formula (LCFF)and other Local Revenues.

Expenditures in the County School Service Fund increased by about 12% to $81,976,445, during the same period, primarily due to increases in instructional, instructional supervision, and pupil support salaries and benefits and other activities related to categorical programs.

Solvency

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

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE COUNTY AS TRUSTEE

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or *fiduciary,* for funds held on behalf of others, such as funds for payroll withholding accounts. The County's fiduciary activities are reported in the Fiduciary Fund Financial Statements. 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 $68,375,376 for the fiscal year ended June 30, 2025. Of this amount, $31,957,624 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and 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	
	2025	2024*
Assets		
Current and other assets	$ 142,743,422	$ 113,452,977
Capital assets	8,989,417	7,410,080
Total assets	151,732,839	120,863,057
Deferred Outflows of Resources	19,997,170	19,884,174
Liabilities		
Current liabilities	38,839,863	24,984,554
Long-term liabilities other than OPEB and Pensions	6,328,553	1,384,975
Other postemployment benefits (OPEB) liability	1,112,757	1,225,979
Aggregate net pension liability	52,918,179	55,070,803
Total liabilities	99,199,352	82,666,311
Deferred Inflows of Resources	4,155,281	4,301,082
Net Position		
Investment in capital assets	7,726,438	6,136,980
Restricted	28,691,314	22,218,720
Unrestricted	31,957,624	25,424,138
Total net position	$ 68,375,376	$ 53,779,838

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 16 for further information.

The $31,957,624 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 $31,957,624 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 16. 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	
	2025	2024*
Revenues		
Program revenues		
Charges for services and sales	$ 11,960,398	$ 12,558,527
Operating grants and contributions	115,086,825	100,635,351
General revenues		
Federal and State aid not restricted	5,004,823	5,024,204
Property taxes	25,445,005	24,223,729
Other general revenues	7,965,770	6,160,001
Total revenues	165,462,821	148,601,812
Expenses		
Instruction-related	47,970,424	43,890,626
Pupil services	12,332,170	11,896,917
Administration	17,540,683	16,158,562
Plant services	2,914,333	2,818,440
All other services	65,298,936	58,053,514
Total expenses	146,056,546	132,818,059
Change in net position	$ 19,406,275	$ 15,783,753

* The expenses for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 16 for further information.

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $146,056,546. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $25,445,005 because the cost was paid by those who benefited from the programs ($11,960,398) or by other governments and organizations who subsidized certain programs with grants and contributions ($115,086,825). We paid for the remaining "public benefit" portion of our governmental activities with $12,970,593 in unrestricted Federal and State funds and with other revenues, such as interest and general entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2025	2024*	2025	2024*
Instruction-related	$ 47,970,424	$ 43,890,626	$ (4,519,082)	$ (4,411,495)
Pupil services	12,332,170	11,896,917	15,613	76,039
Administration	17,540,683	16,158,562	(5,330,918)	(6,154,866)
Plant services	2,914,333	2,818,440	(2,328,615)	(2,304,221)
All other services	65,298,936	58,053,514	(6,846,321)	(6,829,638)
Total	$ 146,056,546	$ 132,818,059	$ (19,009,323)	$ (19,624,181)

* The expenses for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 16 for further information.

THE COUNTY'S FUNDS

As the County completed this year, our governmental funds reported a combined fund balance of $103,897,774, which is an increase of $15,496,371, or 17.5% from last year (Table 4).

Table 4

	Balances and Activity			
Governmental Fund	July 1, 2024	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2025
County School Service Fund	$ 48,678,698	$ 94,275,212	$ 84,659,116	$ 58,294,794
Child Development Fund	4,783,314	71,999,807	68,622,707	8,160,414
Special Reserve Fund for Capital Outlay Projects	34,939,391	3,849,841	1,346,666	37,442,566
Forest Reserve Fund	-	54,851	54,851	-
Total	$ 88,401,403	$ 170,179,711	$ 154,683,340	$ 103,897,774

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 2025. (Schedules showing the County's original and final budget amounts compared with amounts actually paid and received are provided in our annual report beginning on page 59).

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

At June 30, 2025, the County had $8,989,417 in a broad range of capital assets (net of depreciation and amortization), including land and construction in progress, buildings and improvements, equipment, right-to-use leased assets, and right-to-use subscription IT assets. The total capital assets net of depreciation and amortization increased $1,579,337, or 21.3%.

Table 5

	Governmental Activities	
	2025	2024
Land and construction in progress	$ 633,194	$ 624,322
Buildings and improvements	5,491,474	4,353,508
Equipment	1,631,128	1,189,136
Right-to-use leased assets	868,202	1,175,364
Right-to-use subscription IT assets	365,419	67,750
Total	$ 8,989,417	$ 7,410,080

This year's additions include building improvements and IT assets, offset by depreciation and amortization across all categories. No debt was issued for these additions.

We present more detailed information about our capital assets in the notes to the financial statements.

Long-Term Liabilities other than OPEB and Pensions

At the end of this year, the County has $6,328,553 in long-term liabilities other than OPEB and pensions versus $1,384,975 last year, an increase of $4,943,578 or 356.9%.

Table 6

	Governmental Activities	
	2025	2024*
Long-Term Liabilities other than OPEB and Pension		
Leases	$ 865,175	$ 1,207,530
Subscription-based IT arrangements	397,804	65,570
Compensated absences	5,065,574	111,875
Total	$ 6,328,553	$ 1,384,975

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 16 for further information.

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

OPEB and Pensions

At year-end, the County had other postemployment benefits (OPEB) liability of $1,112,757 versus $1,225,979 last year, a decrease of $113,222, or 9.2%.

In addition, at year-end, the County had an aggregate net pension liability of $52,918,179 versus $55,070,803 last year, a decrease of $2,152,624, or 3.9%.

We present more information about our OPEB and pension liabilities in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the budget for the 2025-2026 fiscal year, the criteria used include the following key assumptions:

Revenue Projections

1. Local Control Funding Formula income will receive a 2.3% funded cost of living increase.
2. Federal revenue in the County School Service Fund will decrease due to decreases in various Federal programs and expiration of one-time sources.
3. Other State revenue will increase due to an increase in various State programs, including Career Technical Education and Juvenile Court and Community Schools.
4. Other Local revenue will decrease due to a decrease in projected Special Education Regional Program revenue.

Expenditure Projections

1. Salaries and benefits will have a 4.00% cost of living applied.
2. Salaries and benefits will increase by approximately 1.5% due to step and column changes for existing staffing.
3. Health and welfare costs will increase by 10.00% partially due to an increase in health insurance premiums.
4. Expenditures for supplies and services will decrease 11% due to decreases in revenue.
5. Capital outlay will decrease due to planned building improvement project completion.

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	$ 126,773,453
Receivables	15,824,205
Prepaid expense	139,979
Lease receivable	5,785
Capital assets not depreciated or amortized	633,194
Capital assets, net of accumulated depreciation and amortization	8,356,223
Total assets	151,732,839
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	691,898
Deferred outflows of resources related to pensions	19,305,272
Total deferred outflows of resources	19,997,170
Liabilities	
Accounts payable	22,688,675
Unearned revenue	16,151,188
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	3,003,302
OPEB liability due within one year	94,822
Long-term liabilities other than OPEB and pensions due in more than one year	3,325,251
Net other postemployment benefits (OPEB) liability due in more than one year	1,017,935
Aggregate net pension liability	52,918,179
Total liabilities	99,199,352
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	181,778
Deferred inflows of resources related to pensions	3,967,718
Deferred inflows of resources related to leases	5,785
Total deferred inflows of resources	4,155,281
Net Position	
Investment in capital assets	7,726,438
Restricted for	
Capital projects	1,182,534
Educational programs	21,015,745
Child development	6,493,035
Unrestricted	31,957,624
Total net position	$ 68,375,376

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	$ 25,143,148	$ 2,394,656	$ 21,877,118	$ (871,374)
Instruction-related activities				
Supervision of instruction	17,917,824	5,180,953	9,332,118	(3,404,753)
Instructional library, media, and technology	461,697	23,547	289,071	(149,079)
School site administration	4,447,755	389,589	3,964,290	(93,876)
Pupil services				
Home-to-school transportation	23,749	-	-	(23,749)
Food services	810,969	68	778,958	(31,943)
All other pupil services	11,497,452	1,404,793	10,163,964	71,305
Administration				
Data processing	4,026,635	863,817	579,050	(2,583,768)
All other administration	13,514,048	867,121	9,899,777	(2,747,150)
Plant services	2,914,333	40,236	545,482	(2,328,615)
Community services	55,418,245	667,566	57,244,246	2,493,567
Enterprise services	249,921	-	-	(249,921)
Interest on long-term liabilities	41,920	-	-	(41,920)
Other outgo	9,588,850	128,052	412,751	(9,048,047)
Total governmental activities	$ 146,056,546	$ 11,960,398	$ 115,086,825	(19,009,323)
General Revenues and Subventions				
Property taxes, levied for general purposes				25,088,619
Taxes levied for other specific purposes				356,386
Federal and State aid not restricted to specific purposes				5,004,823
Interest and investment earnings				5,917,719
Interagency revenues				168,155
Miscellaneous				1,879,896
Subtotal, general revenues and subventions				38,415,598
Change in Net Position				19,406,275
Net Position - Beginning, as previously reported				53,779,838
Adjustments (Note 16)				(4,810,737)
Net Position - Beginning, as restated				48,969,101
Net Position - Ending				$ 68,375,376

	County School Service Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects	Total Governmental Funds
Assets				
Deposits and investments	$ 68,419,068	$ 23,556,975	$ 34,797,410	$ 126,773,453
Receivables	8,592,979	7,222,814	8,412	15,824,205
Due from other funds	5,209,653	2,850	2,680,171	7,892,674
Prepaid expenditures	139,979	-	-	139,979
Lease receivable	5,785	-	-	5,785
Total assets	$ 82,367,464	$ 30,782,639	$ 37,485,993	$ 150,636,096
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$ 15,781,007	$ 6,864,241	$ 43,427	$ 22,688,675
Due to other funds	2,683,021	5,209,653	-	7,892,674
Unearned revenue	5,602,857	10,548,331	-	16,151,188
Total liabilities	24,066,885	22,622,225	43,427	46,732,537
Deferred Inflows of Resources				
Deferred inflows of resources related to leases	5,785	-	-	5,785
Fund Balances				
Nonspendable	144,979	-	-	144,979
Restricted	21,015,745	6,493,035	1,182,534	28,691,314
Assigned	-	1,667,379	36,260,032	37,927,411
Unassigned	37,134,070	-	-	37,134,070
Total fund balances	58,294,794	8,160,414	37,442,566	103,897,774
Total liabilities, deferred inflows of resources, and fund balances	$ 82,367,464	$ 30,782,639	$ 37,485,993	$ 150,636,096

Total Fund Balance - Governmental Funds		$ 103,897,774
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	$ 17,240,807	
Accumulated depreciation and amortization is	(8,251,390)	
Net capital assets		8,989,417
Deferred outflows of resources represent a consumption of net position in a future period and are not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Other postemployment benefits (OPEB) liability	691,898	
Aggregate net pension liability	19,305,272	
Total deferred outflows of resources		19,997,170
Deferred inflows of resources represent an acquisition of net position that applies to a future period and are not reported in the governmental funds. Deferred inflows of resources amount to and related to		
OPEB liability	(181,778)	
Aggregate net pension liability	(3,967,718)	
Total deferred inflows of resources		(4,149,496)
Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(52,918,179)
The County's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(1,112,757)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
Leases	(865,175)	
Subscription-based IT arrangements	(397,804)	
Compensated absences	(5,065,574)	
Total long-term liabilities		(6,328,553)
Total net position - governmental activities		$ 68,375,376

Santa Barbara County Education Office

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2025

	County School Service Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Fund	Total Governmental Funds
Revenues					
Local Control Funding Formula (LCFF)	$ 29,921,273	$ -	$ -	$ -	$ 29,921,273
Federal sources	1,764,907	21,079,516	-	54,851	22,899,274
Other State sources	8,473,986	49,280,691	-	-	57,754,677
Other local sources	53,456,504	1,636,750	1,170,020	-	56,263,274
Total revenues	93,616,670	71,996,957	1,170,020	54,851	166,838,498
Expenditures					
Current					
Instruction	22,787,814	3,887,172	-	-	26,674,986
Instruction-related activities					
Supervision of instruction	17,755,383	951,871	-	-	18,707,254
Instructional library, media, and technology	480,864	-	-	-	480,864
School site administration	1,376,608	3,257,421	-	-	4,634,029
Pupil services					
Home-to-school transportation	23,749	-	-	-	23,749
Food services	46,588	770,639	-	-	817,227
All other pupil services	11,985,378	-	-	-	11,985,378
Administration					
Data processing	4,164,942	-	-	-	4,164,942
All other administration	8,593,141	5,194,950	-	-	13,788,091
Plant services	2,578,571	120,715	369,662	-	3,068,948
Ancillary services	-	-	-	-	-
Community services	1,274,618	54,299,692	-	-	55,574,310
Other outgo	9,542,227	-	-	46,623	9,588,850
Enterprise services	258,833	-	-	-	258,833
Facility acquisition and construction	528,972	16,649	977,004	-	1,522,625
Debt service					
Principal	536,837	-	-	-	536,837
Interest and other	41,920	-	-	-	41,920
Total expenditures	81,976,445	68,499,109	1,346,666	46,623	151,868,843
Excess of Revenues Over Expenditures	11,640,225	3,497,848	(176,646)	8,228	14,969,655
Other Financing Sources (Uses)					
Transfers in	131,826	2,850	2,679,821	-	2,814,497
Other sources - leases	128,805	-	-	-	128,805
Other sources - SBITAs	397,911	-	-	-	397,911
Transfers out	(2,682,671)	(123,598)	-	(8,228)	(2,814,497)
Net Financing Sources (Uses)	(2,024,129)	(120,748)	2,679,821	(8,228)	526,716
Net Change in Fund Balances	9,616,096	3,377,100	2,503,175	-	15,496,371
Fund Balance - Beginning	48,678,698	4,783,314	34,939,391	-	88,401,403
Fund Balance - Ending	$ 58,294,794	$ 8,160,414	$ 37,442,566	$ -	$ 103,897,774

Total Net Change in Fund Balances - Governmental Funds		$ 15,496,371
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expense in the Statement of Activities. This is the amount by which depreciation and amortization exceeds capital outlay in the period.		
Depreciation and amortization expense	$ (1,046,762)	
Capital outlay	2,657,378	
Net expense adjustment		1,610,616
A loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(31,279)
The right-to-use leased assets were financed with leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.		(128,805)
Right-to-use subscription IT assets acquired this year were financed with Subscription-Based IT Arrangements (SBITAs). The amount financed by the SBITAs is reported in the governmental funds as a source of financing. On the other hand, the SBITAs are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.		(397,911)
In the Statement of Activities, certain operating expenses, such as compensated absences 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 compensated absences earned and used.		(142,962)
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/inflows of resources and aggregate net pension liability during the year.		2,535,237

In the governmental funds, OPEB costs are based on benefit payments made for OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows/inflows of resources and OPEB liability during the year.	$ (71,829)
Payments of principal on lease and subscription liabilities is an expenditure in the governmental funds, but reduce long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
Leases	471,160
Subsciptions	65,677
Change in net position of governmental activities	$ 19,406,275

	Custodial Funds	Scholarship Fund
Assets		
Deposits and investments	$ 34,806,842	$ 3,317
Liabilities		
Due to other governments	$ 34,806,842	$ -
Net Position		
Restricted for scholarships	$ -	$ 3,317

	Custodial Funds	Scholarship Funds
Additions		
Contributions		
Fund collected for others	$ 1,800,453,121	$ 3,373
Investment earnings		
Interest	633,745	-
Net decrease in the fair value of investments	423,483	-
Total investment earnings	1,057,228	-
Total additions	1,801,510,349	3,373
Deductions		
Funds distributed to other LEAs	1,801,510,349	-
Administrative expense	-	56
Total deductions	1,801,510,349	56
Net Change In Fiduciary Net Position	-	3,317
Total Net Position - Beginning	-	-
Net Position - Ending	$ -	$ 3,317

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Santa Barbara County Education Office (the "County") was established in the 1800's and became fiscally independent from the County of Santa Barbara on March 2, 1970. The County operates under the laws of the State of California. The County operates under a locally elected seven-member board form of government and provides administration and leadership, public information and government liaison to 20 school districts and two community college districts in Santa Barbara County. The County also provides educational services directly to individuals for special purposes.

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

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying out 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 $18,349,792 in fund balance.

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

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

Non-Major Governmental Fund

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

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

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

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

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

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

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

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

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

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

Investments

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

The County's investment in the county treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool are not required to be categorized within the fair value hierarchy.

Prepaid Expenditures (Expenses)

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

Capital Assets, Depreciation, and Amortization

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.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Position. The valuation basis for capital assets is 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. Land is not depreciated.

The County records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2025.

Right-to-use leased assets are recognized at the lease commencement date and represent the County's right-to-use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from three to ten years.

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the County's right-to-use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method . The amortization period varies from two to five years.

Lease Receivable

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

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 for leave balances that are more likely than not to be used for compensated leave or settled through cash or noncash means. The entire compensated absence liability is reported on the government-wide Statement of Net position. For governmental funds, a liability for 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, only the portion of accumulated sick leave that is more likely than not to be used by the employee for paid leave is recognized as a liability in the County's financial statements. Credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive 0.004 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. The portion of sick leave that is more likely than not to be settled through conversion to service credit for employee retirement plans is not included in the County's liability for compensated absences.

Accrued Liabilities and Long-Term Liabilities

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The County reports deferred outflows of resources for pension related items and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County reports deferred inflows of resources related to leases, for pension related items, and for OPEB related items.

Pensions

For purposes of measuring the net pension liability, 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.

Lease Liabilities

Lease liabilities represent the County's obligation to make lease payments arising from the lease. The County recognizes a lease liability in the government-wide financial statements. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the County.

Subscription Liabilities

Subscription liabilities represent the County's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of the subscription payments is discounted based on a borrowing rate determined by the County.

Fund Balances - Governmental Funds

As of June 30, 2025, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the County's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net of 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, 2025. 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 $28,691,314 of restricted net position.

Interfund Activity

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

Estimates

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

Property Tax

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

Adoption of New Accounting Standard

Implementation of GASB Statement No. 101

As of June 30, 2025, the County adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 16.

Implementation of GASB Statement No. 102

As of June 30, 2025, the County adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Governmental funds	$ 126,773,453
Fiduciary funds	34,810,159
Total deposits and investments	$ 161,583,612

Deposits and investments as of June 30, 2025, consist of the following:

Cash on hand and in banks	$ 317,780
Cash in revolving	5,000
Investments	161,260,832
Total deposits and investments	$ 161,583,612

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 $161,260,832 with the Santa Barbara County Treasury Investment Pool. This investment has an average weighted maturity of 664 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, 2025.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2025, the County's bank balance of $8,317 was not exposed to custodial credit risk because it was fully insured.

Note 3 - Receivables

Receivables at June 30, 2025, 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 Governmental Activities
Federal Government				
Categorical aid	$ 986,517	$ 534,189	$ -	$ 1,520,706
State Government				
Categorical aid	2,423,368	2,241,066	-	4,664,434
Lottery	4,620	-	-	4,620
Other state source	2,561	-	-	2,561
Local Government				
Interest	980,731	181,400	8,412	1,170,543
Other local sources	4,195,182	4,266,159	-	8,461,341
Total	$ 8,592,979	$ 7,222,814	$ 8,412	$ 15,824,205

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Governmental Activities				
Capital assets not being depreciated or amortized				
Land	$ 500,000	$ -	$ -	$ 500,000
Construction in progress	124,322	1,118,161	(1,109,289)	133,194
Total capital assets not being depreciated or amortized	624,322	1,118,161	(1,109,289)	633,194
Capital assets being depreciated and amortized				
Land improvements	95,830	-	-	95,830
Buildings and improvements	6,521,819	1,355,477	-	7,877,296
Furniture and equipment	5,233,215	672,830	(273,349)	5,632,696
Right-to-use leased buildings and improvements	1,587,123	93,483	-	1,680,606
Right-to-use leased furniture and equipment	713,759	128,805	(6,470)	836,094
Right-to-use subscription IT assets	87,180	397,911	-	485,091
Total capital assets being depreciated	14,238,926	2,648,506	(279,819)	16,607,613
Total capital assets	14,863,248	3,766,667	(1,389,108)	17,240,807
Accumulated depreciation and amortization				
Land improvements	(76,964)	(980)	-	(77,944)
Buildings and improvements	(2,187,177)	(216,531)	-	(2,403,708)
Furniture and equipment	(4,044,079)	(199,559)	242,070	(4,001,568)
Right-to-use leased buildings and improvements	(794,999)	(381,425)	-	(1,176,424)
Right-to-use leased furniture and equipment	(330,519)	(148,025)	6,470	(472,074)
Right-to-use subscription IT assets	(19,430)	(100,242)	-	(119,672)
Total accumulated depreciation and amortization	(7,453,168)	(1,046,762)	248,540	(8,251,390)
Net depreciable and amortizable capital assets	6,785,758	1,601,744	(31,279)	8,356,223
Governmental activities capital assets, net	$ 7,410,080	$ 2,719,905	$ (1,140,568)	$ 8,989,417

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

Governmental Activities	
Instruction	$ 557,942
Supervision of instruction	6,449
Instructional library, media, and technology	522
Data processing	48,187
All other administration	229,978
Plant services	203,684
Total depreciation and amortization expense governmental activities	$ 1,046,762

Note 5 - Lease Receivable

Lease receivables are recorded by the County at the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provisions of estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the County charges the lessee. The County has accrued a receivable for leasing facilities. This lease expires July 31, 2025. During the year ended June 30, 2025, the County recognized $69,104 in lease revenues related to this agreement. At June 30, 2025, the County recorded $5,785 in lease receivables and deferred inflows of resources. The County used an interest rate of 2.09% to calculate the present value of the lease, based on rates available to finance real estate over the same time period.

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2025, between major governmental funds are as follows:

	Due From		
Due To	County School Service Fund	Child Development Fund	Total
County School Service Fund	$ -	$ 5,209,653	$ 5,209,653
Child Development Fund	2,850	-	2,850
Special Reserve Fund for Capital Outlay Projects	2,680,171	-	2,680,171
Total	$ 2,683,021	$ 5,209,653	$ 7,892,674

The balance of $5,209,653 due to the County School Service Fund from the Child Development Fund resulted from payroll and indirect cost charges.

The balance of $2,850 due to the Child Development Fund from the County School Service Fund resulted from a program balance adjustment transfer.

The balance of $2,680,171 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, 2025, consisted of the following:

	Transfer From			
Transfer To	County School Service Fund	Child Development Fund	Non-Major Governmental Funds	Total
County School Service Fund	$ -	$ 123,598	$ 8,228	$ 131,826
Child Development Fund	2,850	-	-	2,850
Special Reserve Fund for Capital Outlay Projects	2,679,821	-	-	2,679,821
Total	$ 2,682,671	$ 123,598	$ 8,228	$ 2,814,497

The County School Service Fund transferred program funds to the Child Development Fund.	$ 2,850
The County School Service Fund transferred to the Special Reserve Fund for Capital Outlay Projects for future capital outlay purposes.	2,679,821
The Child Development Fund transferred a program payment to the County School Service Fund.	123,598
The Forest Reserve Non-Major Governmental Fund transferred to the County School Service Fund for the County Education Office's portion of the grant.	8,228
Total	$ 2,814,497

Note 7 - Accounts Payable

Accounts payable at June 30, 2025, consisted of the following:

	County School Service Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects	Total Governmental Activities
LCFF apportionment	$ 8,814,256	$ -	$ -	$ 8,814,256
Salaries and benefits	520,608	45,996	-	566,604
Other vendor payables	6,446,143	6,818,245	43,427	13,307,815
Total	$ 15,781,007	$ 6,864,241	$ 43,427	$ 22,688,675

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2025, consists of the following:

	County School Service Fund	Child Development Fund	Total
Federal financial assistance	$ 43,562	$ 1,409,261	$ 1,452,823
State categorical aid	2,340,837	9,139,070	11,479,907
Other local	3,218,458	-	3,218,458
Total	$ 5,602,857	$ 10,548,331	$ 16,151,188

Note 9 - Long-Term Liabilities other than OPEB and Pensions

Summary

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

	Balance July 1, 2024, as Restated	Additions	Deductions	Balance June 30, 2025	Due in One Year
Long-Term Liabilities					
Leases	$ 1,207,530	$ 128,805	$ (471,160)	$ 865,175	$ 546,598
Subscription-based IT arrangements	65,570	397,911	(65,677)	397,804	145,935
Compensated absences	4,922,612	142,962	-	5,065,574	2,310,769
Total	$ 6,195,712	$ 669,678	$ (536,837)	$ 6,328,553	$ 3,003,302

The change in compensated absences is presented as a net change.

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

Leases

The County has entered into several agreements to lease copiers and real property. The annual interest rates charged on the leases range from 2.00% to 4.00%. At June 30, 2025, the County has recognized right-to-use leased assets of $868,202, net of accumulated amortization, and a lease liability of $865,175 related to these agreements. During the fiscal year, the County recorded $529,450 in amortization expense and $21,050 in interest expense for the right-to-use the leased assets.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 546,598	$ 20,592	$ 567,190
2027	243,610	6,371	249,981
2028	33,815	3,195	37,010
2029	28,241	1,503	29,744
2030	12,911	213	13,124
Total	$ 865,175	$ 31,874	$ 897,049

Subscriptions-Based Information Technology Arrangements (SBITAs)

The County entered into a SBITA for software for administrative uses. At June 30, 2025, the County has recognized right-to-use subscriptions IT assets of $365,419, net of accumulated amortization, and a SBITA liability of $397,804 related to this agreement. During the fiscal year, the County recorded $100,242 in amortization expense. The County is required to make principal and interest payments through October 2028. The subscriptions have interest rates of 5.00%.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 145,935	$ 17,829	$ 163,764
2027	139,421	10,237	149,658
2028	110,681	2,664	113,345
2029	1,767	23	1,790
Total	$ 397,804	$ 30,753	$ 428,557

Note 10 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2025, the County reported net OPEB liability, deferred outflows, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
County Plan	$ 1,013,849	$ 691,898	$ 181,778	$ 189,573
Medicare Premium Payment (MPP) Program	98,908	-	-	(9,681)
Total	$ 1,112,757	$ 691,898	$ 181,778	$ 179,892

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, 2024, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	13
Active employees	399
Total	412

Benefits Provided

The Plan provides medical 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, 2025, the County paid $108,063 in benefits, of which $92,318 is due to the implicit rate subsidy.

Total OPEB Liability of the County

The County's total OPEB liability of $1,013,849 was measured as of June 30, 2025, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2024.

Actuarial Assumptions

The total OPEB liability as of June 30, 2025 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2024 and rolling forward the total OPEB liability to June 30, 2025. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%, average, including inflation
Discount rate	5.2% for 2025
Healthcare trend rate	4.00%

The discount rate was based on the Bond Buyer 20 Bond Index.

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 CalPERS Mortality for Miscellaneous and Schools Employees Table for classified employees.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actual experience study for the period beginning July 1, 2023 to June 30, 2024.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2024	$ 1,117,390
Service cost	66,512
Interest	43,097
Changes of assumptions	(105,087)
Benefit payments	(108,063)
Net change in total OPEB liability	(103,541)
Balance, June 30, 2025	$ 1,013,849

Changes of assumptions reflect a change in the discount rate from 3.93% in 2024 to 5.20% in 2025.

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 (4.20%)	$ 1,097,664
Current discount rate (5.20%)	1,013,849
1% increase (6.20%)	953,520

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 Rate	Total OPEB Liability
1% decrease (3.00%)	$ 901,411
Current healthcare cost trend rate (4.00%)	1,013,849
1% increase (5.00%)	1,137,831

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

For the year ended June 30, 2024, the County recognized OPEB expense of $189,573. At June 30, 2025, 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	$ 690,581	$ 1,206
Changes of assumptions	1,317	180,572
Total	$ 691,898	$ 181,778

The deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ 79,964
2027	79,964
2028	79,964
2029	79,964
2030	79,964
Thereafter	110,300
Total	$ 510,120

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, 2023 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: https://www.calstrs.com/forms-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, 2025, the County reported a liability of $98,908 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. 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, 2024 and June 30, 2023, respectively, was 0.0371%, and 0.0358%, resulting in a net increase in the proportionate share of 0.0013%.

For the year ended June 30, 2025, the County recognized OPEB expense of $(9,681).

Actuarial Methods and Assumptions

The June 30, 2024 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total OPEB liability to June 30, 2024, using the assumptions listed in the following table:

Measurement Date	June 30, 2024	June 30, 2023
Valuation Date	June 30, 2023	June 30, 2022
Experience Study	July 1, 2007 through June 30, 2022	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.93%	3.65%
Medicare Part A Premium Cost Trend Rate	5.00%	4.50%
Medicare Part B Premium Cost Trend Rate	6.50%	5.40%

For the valuation as of June 30, 2023, CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

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 154 or an average of 0.12% of the potentially eligible population (132,333).

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, 2024, 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

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2024, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2024, was 3.93%, which is an increase of 0.28% from 3.65% as of June 30, 2023.

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 (2.93%)	$ 106,719
Current discount rate (3.93%)	98,908
1% increase (4.93%)	92,039

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

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (4.00% Part A and 5.50% Part B)	$ 91,627
Current Medicare costs trend rates (5.00% Part A and 6.50% Part B)	98,908
1% increase (6.00% Part A and 7.50% Part B)	107,036

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	County School Service Fund	Child Development Fund	Special Reserve Fund for Capital Outlay Projects	Total
Nonspendable				
Revolving cash	$ 5,000	$ -	$ -	$ 5,000
Prepaid expenditures	139,979	-	-	139,979
Total nonspendable	144,979	-	-	144,979
Restricted				
Legally restricted programs	21,015,745	6,493,035	-	27,508,780
Capital projects	-	-	1,182,534	1,182,534
Total restricted	21,015,745	6,493,035	1,182,534	28,691,314
Assigned				
Child development	-	1,667,379	-	1,667,379
Capital projects	-	-	36,260,032	36,260,032
Total assigned	-	1,667,379	36,260,032	37,927,411
Unassigned				
Reserve for economic uncertainties	18,349,792	-	-	18,349,792
Remaining unassigned	18,784,278	-	-	18,784,278
Total unassigned	37,134,070	-	-	37,134,070
Total	$ 58,294,794	$ 8,160,414	$ 37,442,566	$ 103,897,774

Note 12 - Risk Management

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

The County's risk management activities are recorded in the County School Service Fund. The County participates in the various public entity risk pools for health, workers' compensation, and property and liability risks. The participation in the public entity risk pools represents a transfer of risk to the pools. Provisions of the agreements with the public entity risk pools provide for additional assessments for deficits within the pool based upon specific calculations. As of June 30, 2025, information was not available that indicates that the County has an outstanding obligation for any calculated deficits. Settled claims have not exceeded coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. See Note 15 for additional information regarding the pools.

Note 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2025, 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	$ 17,083,905	$ 7,613,153	$ 2,900,094	$ 1,363,993
CalPERS	35,834,274	11,692,119	1,067,624	5,988,279
Total	$ 52,918,179	$ 19,305,272	$ 3,967,718	$ 7,352,272

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, 2023, 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:
https://www.calstrs.com/forms-publications

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2025, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

Contributions

Required member local educational agencies and the State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the County's total contributions were $3,578,292.

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

At June 30, 2025, 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	$ 17,083,905
State's proportionate share of the net pension liability	7,838,154
Total	$ 24,922,059

The net pension liability was measured as of June 30, 2024. 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 local educational agencies and the State, actuarially determined. The County's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.0254% and 0.0242%, resulting in a net increase in the proportionate share of 0.0012%.

For the year ended June 30, 2025, the County recognized pension expense of $1,363,993. In addition, the County recognized pension expense and revenue of $713,572 for support provided by the State. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,578,292	$ -
Change in proportion and differences between contributions made and County's proportionate share of contributions	2,027,669	917,319
Differences between projected and actual earnings on pension plan investments	-	68,934
Differences between expected and actual experience in the measurement of the total pension liability	1,932,409	747,070
Changes of assumptions	74,783	1,166,771
Total	$ 7,613,153	$ 2,900,094

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
2026	$ (1,145,257)
2027	1,379,313
2028	(112,535)
2029	(190,455)
Total	$ (68,934)

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
2026	$ 88,460
2027	91,549
2028	230,450
2029	259,484
2030	478,825
Thereafter	54,933
Total	$ 1,203,701

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, 2023 and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 2007 through June 30, 2022
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 is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2024 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. The assumed asset allocation and best estimates of the expected rates of return for each major asset class for the year ended June 30, 2024, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.1%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 30,386,676
Current discount rate (7.10%)	17,083,905
1% increase (8.10%)	5,975,538

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, 2023 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, 2025, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	27.050%	27.050%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the total County contributions were $6,309,217.

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

As of June 30, 2025, the County reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $35,834,274. The net pension liability was measured as of June 30, 2024. 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, 2024 and June 30, 2023, respectively, was 0.1003% and 0.1012%, resulting in a net decrease in the proportionate share of 0.0009%.

For the year ended June 30, 2025, the County recognized pension expense of $5,988,279. At June 30, 2025, 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	$ 6,309,217	$ -
Change in proportion and differences between contributions made and County's proportionate share of contributions	194,710	811,159
Differences between projected and actual earnings on pension plan investments	1,391,955	-
Differences between expected and actual experience in the measurement of the total pension liability	3,004,179	256,465
Changes of assumptions	792,058	-
Total	$ 11,692,119	$ 1,067,624

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
2026	$ (11,999)
2027	2,164,172
2028	(319,783)
2029	(440,435)
Total	$ 1,391,955

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ 1,535,736
2027	779,482
2028	608,105
Total	$ 2,923,323

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, 2023 and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity - cap-weighted	30%	4.54%
Global equity non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the SEP fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the School Employer Pool investments was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (5.90%)	$ 53,232,113
Current discount rate (6.90%)	35,834,274
1% increase (7.90%)	21,462,274

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 $1,582,696 (10.828% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 14 - Commitments and Contingencies

Grants

The County received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the County School Service Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County at June 30, 2025.

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, 2025.

Note 15 - Participation in Public Entity Risk Pools and Joint Power Authorities

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

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

During the year ended June 30, 2025, the County made payments of $69,223, $10,388,177, and $755,497 to SISC II, SISC III, and SIPE, respectively, for services received.

Note 16 - Restatement

Change in Accounting Principle

As of June 30, 2025, the County adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, compensated absences current portion and compensated absences noncurrent portion were increased by $2,033,872 and $2,776,865, respectively, as of July 1, 2024. The effect of this change in accounting principle is described in the table below.

Governmental Activities	
Net Position - Beginning, as previously reported on June 30, 2024	$ 53,779,838
Change in accounting principle	(4,810,737)
Net Position - Beginning, as restated on July 1, 2024	$ 48,969,101

Required Supplementary Information
June 30, 2025

Santa Barbara County Education Office

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 28,648,227	$ 29,965,948	$ 29,921,273	$ (44,675)
Federal sources	1,539,667	1,748,134	1,764,907	16,773
Other State sources	8,616,955	8,487,681	8,473,986	(13,695)
Other local sources	47,007,942	56,364,431	53,456,504	(2,907,927)
Total revenues [1]	85,812,791	96,566,194	93,616,670	(2,949,524)
Expenditures				
Current				
Certificated salaries	21,051,506	19,854,101	18,274,410	1,579,691
Classified salaries	20,791,415	21,450,580	20,198,223	1,252,357
Employee benefits	21,907,068	20,374,661	18,581,845	1,792,816
Books and supplies	1,313,576	1,469,057	969,507	499,550
Services and operating expenditures	15,547,671	22,135,884	17,234,720	4,901,164
Other outgo	271,496	1,173,357	4,303,700	(3,130,343)
Capital outlay	3,095,980	4,523,304	1,835,283	2,688,021
Debt service				
Debt service - principal	-	-	536,837	(536,837)
Debt service - interest and other	-	-	41,920	(41,920)
Total expenditures [1]	83,978,712	90,980,944	81,976,445	9,004,499
Excess of Revenues Over Expenditures	1,834,079	5,585,250	11,640,225	6,054,975
Other Financing Sources (Uses)				
Transfers in	6,020	6,020	131,826	125,806
Other sources - leases	-	160,949	128,805	(32,144)
Other sources - SBITAs	-	397,911	397,911	-
Transfers out	(1,155,921)	(1,155,921)	(2,682,671)	(1,526,750)
Net Financing Uses	(1,149,901)	(591,041)	(2,024,129)	(1,433,088)
Net Change in Fund Balances	684,178	4,994,209	9,616,096	4,621,887
Fund Balance - Beginning	48,678,698	48,678,698	48,678,698	-
Fund Balance - Ending	$ 49,362,876	$ 53,672,907	$ 58,294,794	$ 4,621,887

[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	$ 16,052,803	$ 20,527,462	$ 21,079,516	$ 552,054
Other State sources	47,327,620	54,397,451	49,280,691	(5,116,760)
Other local sources	364,661	446,693	1,636,750	1,190,057
Total revenues	63,745,084	75,371,606	71,996,957	(3,374,649)
Expenditures				
Current				
Certificated salaries	2,634,918	2,784,787	2,826,013	(41,226)
Classified salaries	3,089,592	3,291,621	3,543,261	(251,640)
Employee benefits	3,636,728	3,566,698	3,382,344	184,354
Books and supplies	401,718	573,066	394,183	178,883
Services and operating expenditures	47,132,085	55,375,632	53,103,699	2,271,933
Other outgo	1,225,000	171,098	5,194,954	(5,023,856)
Capital outlay	4,682,400	5,362,650	54,655	5,307,995
Total expenditures	62,802,441	71,125,552	68,499,109	2,626,443
Excess (Deficiency) of Revenues Over Expenditures	942,643	4,246,054	3,497,848	(748,206)
Other Financing Sources				
Transfers in	-	-	2,850	2,850
Net Change in Fund Balances	942,643	4,246,054	3,377,100	(868,954)
Fund Balance - Beginning	4,783,314	4,783,314	4,783,314	-
Fund Balance - Ending	$ 5,725,957	$ 9,029,368	$ 8,160,414	$ (868,954)

Santa Barbara County Education Office

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

Year Ended June 30, 2025

	2025	2024	2023	2022
Total OPEB Liability				
Service cost	$ 66,512	$ 46,058	$ 45,566	$ 58,296
Interest	43,097	28,844	28,406	19,800
Difference between expected and actual experience	-	345,419	-	(1,750)
Changes of assumptions	(105,087)	(38,677)	(6,061)	(69,215)
Benefit payments	(108,063)	(62,940)	(97,721)	(132,329)
Net change in total OPEB liability	(103,541)	318,704	(29,810)	(125,198)
Total OPEB Liability - Beginning	1,117,390	798,686	828,496	953,694
Total OPEB Liability - Ending	$ 1,013,849	$ 1,117,390	$ 798,686	$ 828,496
Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022

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

Year ended June 30,	2025	2024	2023	2022
Proportion of the net OPEB liability	0.0371%	0.0358%	0.0340%	0.0356%
Proportionate share of the net OPEB liability	$ 98,908	$ 108,589	$ 111,906	$ 142,089
Covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	(1.02%)	(0.96%)	(0.94%)	(0.80%)
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

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

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

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

CalSTRS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.0254%	0.0242%	0.0226%	0.0237%	0.0225%
Proportionate share of the net pension liability	$ 17,083,905	$ 18,426,499	$ 15,728,602	$ 10,784,947	$ 21,835,083
State's proportionate share of the net pension liability	7,838,154	8,828,654	7,876,822	5,426,567	11,255,988
Total	$ 24,922,059	$ 27,255,153	$ 23,605,424	$ 16,211,514	$ 33,091,071
Covered payroll	$ 17,014,215	$ 14,697,262	$ 13,274,297	$ 12,764,495	$ 12,253,158
Proportionate share of the net pension liability as a percentage of its covered payroll	100.41%	125.37%	118.49%	84.49%	178.20%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.0236%	0.0230%	0.0262%	0.0292%	0.0340%
Proportionate share of the net pension liability	$ 21,288,721	$ 21,156,279	$ 24,245,483	$ 23,576,845	$ 22,899,487
State's proportionate share of the net pension liability	11,614,419	12,112,959	14,343,423	13,421,877	12,111,304
Total	$ 32,903,140	$ 33,269,238	$ 38,588,906	$ 36,998,722	$ 35,010,791
Covered payroll	$ 12,624,889	$ 12,645,412	$ 13,963,752	$ 15,518,108	15,541,351
Proportionate share of the net pension liability as a percentage of its covered payroll	168.63%	167.30%	173.63%	151.93%	147.35%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

CalPERS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.1003%	0.1012%	0.1058%	0.1029%	0.1022%
Proportionate share of the net pension liability	$ 35,834,274	$ 36,644,304	$ 36,393,322	$ 20,914,088	$ 31,349,820
Covered payroll	$ 19,846,121	$ 17,537,710	$ 16,233,182	$ 14,773,126	$ 14,730,962
Proportionate share of the net pension liability as a percentage of its covered payroll	180.56%	208.95%	224.19%	141.57%	212.82%
Plan fiduciary net position as a percentage of the total pension liability	72%	71%	71%	81%	70%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.1084%	0.1112%	0.1149%	0.1292%	0.1546%
Proportionate share of the net pension liability	$ 31,580,756	$ 29,651,897	$ 27,435,257	$ 25,526,156	$ 22,787,829
Covered payroll	$ 14,811,975	$ 14,672,442	$ 15,146,587	$ 15,688,225	16,834,560
Proportionate share of the net pension liability as a percentage of its covered payroll	213.21%	202.09%	181.13%	162.71%	135.36%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

CalSTRS	2025	2024	2023	2022	2021
Contractually required contribution	$ 3,578,292	$ 3,249,715	$ 2,807,177	$ 2,246,011	$ 2,061,466
Less contributions in relation to the contractually required contribution	3,578,292	3,249,715	2,807,177	2,246,011	2,061,466
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 18,734,513	$ 17,014,215	$ 14,697,262	$ 13,274,297	$ 12,764,495
Contributions as a percentage of covered payroll	19.10%	19.10%	19.10%	16.92%	16.15%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 2,095,290	$ 2,055,332	$ 1,824,733	$ 1,756,640	$ 1,665,093
Less contributions in relation to the contractually required contribution	2,095,290	2,055,332	1,824,733	1,756,640	1,665,093
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 12,253,158	$ 12,624,889	$ 12,645,412	$ 13,963,752	$ 15,518,108
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%

CalPERS	2025	2024	2023	2022	2021
Contractually required contribution	$ 6,309,217	$ 5,294,945	$ 4,449,317	$ 3,719,022	$ 3,058,037
Less contributions in relation to the contractually required contribution	6,309,217	5,294,945	4,449,317	3,719,022	3,058,037
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 23,324,277	$ 19,846,121	$ 17,537,710	$ 16,233,182	$ 14,773,126
Contributions as a percentage of covered payroll	27.050%	26.680%	25.370%	22.910%	20.700%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 2,905,093	$ 2,675,339	$ 2,278,777	$ 2,103,558	$ 1,858,584
Less contributions in relation to the contractually required contribution	2,905,093	2,675,339	2,278,777	2,103,558	1,858,584
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 14,730,962	$ 14,811,975	$ 14,672,442	$ 15,146,587	$ 15,688,225
Contributions as a percentage of covered payroll	19.721%	18.062%	15.531%	13.888%	11.847%

Note 1 - Purpose of Schedules

Budgetary Comparison Schedules

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

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

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

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

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

- *Change in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Change of Assumptions* – Changes of assumptions and other inputs reflect a change in the discount rate from 3.93% in 2024 to 5.20% in 2025.

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 plan 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 3.65% to 3.93% since the previous valuation. The Medicare Part A premium cost trend rate assumption was changed from 4.50% to 5.00%, while the Medicare Part B premium cost trend rate assumption was changed from 5.40% to 6.50% 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.

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

Schedule of the County's Contributions

This schedule presents information on the County's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

Supplementary Information
June 30, 2025

Santa Barbara County Education Office

Federal Grantor/Pass-Through Grantor/Program	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Program Expenditures	Amounts Passed Through to Subrecipeints
U.S. Department of Education				
Passed through California Department of Education (CDE)				
Special Education (IDEA) Cluster				
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	$ 169,837	$ -
Preschool Grants, Part B, Sec 619	84.173	13430	7,511	-
Total Special Education (IDEA) Cluster			177,348	-
Title I, Part D - Local Delinquent Programs	84.010	14357	242,564	-
Title I, School Improvement (CSI) Funding for COEs	84.010	15439	72,610	-
Subtotal			315,174	-
Early Intervention Grants	84.181	23761	127,331	-
Title IX, Part A, McKinney-Vento				
Homeless Assistance Grants	84.196	14332	254,061	-
Title II, Part A - Supporting Effective Instruction	84.367	14341	4,062	-
COVID-19 Education Stabilization Fund				
COVID-19 American Rescue Plan - Homeless Children and Youth II (ARP HCY II)	84.425W	15566	2,357	-
Total U.S. Department of Education			880,333	-
U.S. Department of Treasury				
Passed through the County of Santa Barbara				
COVID-19 State and Local Fiscal Recovery Funds	21.027	[1]	151,489	-
Total U.S. Department of Treasury			151,489	-
U.S. Department of Agriculture				
Passed through CDE				
Child Nutrition Cluster				
School Programs (School Breakfast Needy)	10.553	13526	8,979	-
School Programs (NSL Sec 4)	10.555	13523	2,052	-
School Programs (NSL Sec 11)	10.555	13524	14,367	-
Subtotal			16,419	-
Total Child Nutrition Cluster			25,398	-
Forest Service Schools and Roads Cluster				
Forest Reserve	10.665	10044	54,851	46,623
Total Forest Service Schools and Roads Cluster			54,851	46,623
Passed Through California Department of Social Services				
Centers and Family Day Care Homes	10.558	13529	528,281	-
CCFP Cash in Lieu of Commodities	10.558	13534	2,012	-
CCFP Family Day Care Sponsor Administration	10.558	13665	62,765	
COVID-19 CACFP Emergency Operational				
Costs Reimbursement (ECR)	10.558	15577	31,085	-
Subtotal			624,143	-
Total U.S. Department of Agriculture			704,392	46,623

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

Federal Grantor/Pass-Through Grantor/Program	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Program Expenditures	Amounts Passed Through to Subrecipeints
U.S. Department of Health and Human Services				
Children's Health Insurance Program Reauthorization Act - Healthy Kids Santa Barbara County	93.767	[1]	$ 443,448	$ -
COVID-19 Public Health Workforce Supplemental Funding	93.354	1 NU90TP922174-01-00	144,240	-
Passed through the California Department of Social Services				
Child Care and Development Fund Block Grant Cluster				
Federal Alternative Payment	93.575	13694, 14153 & 15400	11,662,114	-
Federal Alternative Payment - Stage 2	93.575	24178	453,283	-
Federal Alternative Payment - Stage 3	93.575	23881	2,405,965	-
Local Planning Councils	93.575	13946	120,521	-
Quality Improvement Activities	93.575	15534, 24130	647,758	-
Federal Child Care, Center-based	93.575	25136	47,947	-
Subtotal			15,337,588	-
Federal Alternative Payment - Stage 3	93.596	14551	5,124,929	
General Child Care & Development Programs	93.596	24568	2,531	-
Subtotal			5,127,460	-
Total Child Care and Development Fund Block Grant Cluster			20,465,048	-
Passed through Children and Family Resource Services				
Immunization Research, Demonstration, Public Information and Education - Training and Clinical Skills Improvement Projects	93.185	[2]	120,000	-
Total U.S. Department of Health and Human Services			21,172,736	-
Total Federal Financial Assistance			$ 22,908,950	$ 46,623

[1] Direct funded, no pass-through entity identifying number.
[2] Pass-through entity identifying number not available.

	Second Period Report 54B682F1	Annual Report 968B1223
Elementary		
Juvenile halls, homes, and camps	0.64	1.21
Probation referred, on probation or parole, expelled	1.28	1.27
Total Elementary	1.92	2.48
Secondary		
Juvenile halls, homes, and camps	28.85	34.29
Probation referred, on probation or parole, expelled	3.63	4.35
Total Secondary	32.48	38.64
Total K-12	34.40	41.12

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2025.

	(Budget) 2026 [1]	2025	2024 [1]	2023 [1]
County School Service Fund [3]				
Revenues	$ 91,090,131	$ 93,616,670	$ 84,833,535	$ 74,355,602
Other sources	564,880	658,542	660,829	306,836
Total revenues and other sources	91,655,011	94,275,212	85,494,364	74,662,438
Expenditures	88,992,685	81,976,445	73,615,884	65,641,132
Other uses	1,155,921	4,020,216	5,611,433	5,835,977
Total expenditures and other uses	90,148,606	85,996,661	79,227,317	71,477,109
Increase in Fund Balance	1,506,405	8,278,551	6,267,047	3,185,329
Ending Fund Balance	$ 41,451,406	$ 39,945,001	$ 31,666,450	$ 25,399,403
Available Reserves [2]	$ 8,420,382	$ 37,134,070	$ 30,410,603	$ 25,128,343
Available Reserves as a Percentage of Total Outgo	9.34%	43.18%	38.38%	35.16%
Long-Term Liabilities including OPEB and Pensions [4]	N/A	$ 60,359,489	$ 54,681,757	$ 54,469,464
K-12 Average Daily Attendance at Annual	40	41	42	42

The County School Service Fund balance has increased by $14,545,598 over the past two years. The fiscal year 2025-2026 budget projects an increase of $1,506,405 (3.8%). For a County this size, the State recommends available reserves of at least two percent of total County School Service Fund expenditures and other uses (total outgo).

The County has incurred operating surpluses in each the past three years and anticipates incurring an operating surplus during the 2025-2026 fiscal year. Total long-term liabilities have increased by $5,890,025 over the past two years.

Average daily attendance has decreased by one over the past two years. An additional decline of one ADA is anticipated during fiscal year 2025-2026.

[1] Financial information for 2026, 2024, and 2023 are included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the County School Service Fund and Special Reserve Fund for Other Than Capital Outlay Projects.

[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.

[4] Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 16 for further information.

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, 2025. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present financial position, or changes in net position or fund balance of the County.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

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

Schedule of Average Daily Attendance (ADA)

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Other Information
June 30, 2025

Santa Barbara County Education Office

ORGANIZATION

The Santa Barbara County Education Office (the County) was established in the 1800's and became fiscally independent from the County of Santa Barbara on March 2, 1970. The County is governed by an elected Superintendent of Schools and a seven-member County Board of Education. The County Superintendent develops personnel and program policy and is the employer for all County schools' employees. The County Board makes policy decisions related to County operated programs in appropriate areas of budgeting, curriculum, and planning. Another function of the County Board is to hear appeals related to student interdistrict attendance, student expulsions, and charter schools.

The County provides direct services to students where the County Office is the most appropriate agency to operate specialized student programs and coordinate County-wide student events in specialized programs such as Severely Handicapped Special Education, Regional Occupational Program, incarcerated youth, and expelled and at-risk youth. The County provides essential fiscal and administrative services to 20 school districts and two community college districts throughout the County. There were no boundary changes during the year.

COUNTY BOARD OF EDUCATION

MEMBER	TRUSTEE AREA	OFFICE	TERM EXPIRES
Marybeth Carty	1	President	2026
Nadra Ehrman	2	Vice President	2028
Sarah Anne Read	3	Member	2028
Guy R. Walker	4	Member	2028
Judith Frost	5	Member	2026
Katya Armistead	6	Member	2028
Vedamarie Alvarez Flores	7	Member	2026

ADMINISTRATION

NAME	TITLE
Susan Salcido, Ed. D.	County Superintendent of Schools
Kirsten Escobedo	Associate Superintendent, Special Education
Mari Gonzalez	Associate Superintendent, Human Resources
Steven Torres	Associate Superintendent, Administrative Services
Bridget Baublits	Associate Superintendent, Student and Community Services
Ellen Barger	Associate Superintendent, Curriculum and Instruction

Independent Auditor's Reports
June 30, 2025

Santa Barbara County Education Office

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*, the financial statements of the governmental activities, each major fund, and the remaining fund information of Santa Barbara County Education Office (the County), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 15, 2025.

Adoption of New Accounting Standard

As discussed in Note 16 to the financial statements, the County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2025

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

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Santa Barbara County Education Office's (the County) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended June 30, 2025. The County's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2* U.S*. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001 to be a significant deficiency.

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2025

Independent Auditor's Report on State Compliance and on Internal Control Over Compliance

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

Report on Compliance

Opinion on State Compliance

We have audited Santa Barbara County Education Office's (the County) compliance with the requirements specified in the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the County's state program requirements identified below for the year ended June 30, 2025.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the County's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the County's compliance with the state laws and regulations applicable to the following items:

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Not Applicable
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Not Applicable
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Not Applicable
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Not Applicable
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Not Applicable
Transitional Kindergarten	Not Applicable
Kindergarten Continuance	Not Applicable
Charter Schools	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

The term “Not Applicable” is used above to mean either the County did not offer the program during the current fiscal year, the County did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2025

Schedule of Findings and Questioned Costs
June 30, 2025

Santa Barbara County Education Office

Financial Statements

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

Federal Awards

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	Yes

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Child Care and Development Fund Block Grant Cluster	93.575, 93.596
Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	No

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Other matters to be reported	No
Type of auditor's report issued on compliance for programs	Unmodified

None reported.

The following finding represents a significant deficiency in internal control over compliance that is required to be reported by the Uniform Guidance. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

2025-001 50000 – Special Tests and Provisions

Federal Agency: U.S. Department of Health and Human Services
Pass-Through Entity: California Department of Social Services
Program Name: Child Care and Development Fund Block Grant Cluster
Federal Financial Assistance Listing: 93.596, 93.575
Award Identification Number: 13694, 14153, 15400, 24178, 23881, 13946, 15534, 24130, 25136, 14551,24568
Award Year: 2025
Compliance Requirements: N (Special Tests and Provisions)
Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria

Public Law 117-2 Title II, Subtitle C, Section 2202 provided stabilization funding for child care providers.

Public Law 117-2 Title II, Section 2202(d)(2)(B), specifies that to be qualified to receive a subgrant under this paragraph, a provider shall be an eligible child care provider that on the date of submission of an application of the subgrant, was either (1) open and available to provide child care services; or (2) closed due to public health, financial hardship, or other reasons relating to the COVID-19 public health emergency. In addition, the provider must either (1) be eligible to serve children who receive CCDF subsidies at the time of application for stabilization funds, or (2) be licensed, regulated, or registered in the state as of March 11, 2021, and meet applicable state and local health and safety requirements at the time of application for stabilization funds. In their application for stabilization funds, a child care provider must make certain certifications as specified in the law.

Condition

During testing of stipends paid to child care providers, we noted that the Santa Barbara County Education Office was not able to provide documentation that one provider had completed the certification.

Cause

The identified condition appears to have materialized due to ineffective controls for monitoring eligibility for the stipends.

Effect

As a result of the condition identified, the County was not in compliance with Public Law 117-2 Title II, Section 2202(d)(2)(B). The County did not receive a completed certification from one provider.

Questioned Costs

There were no questioned costs associated with the identified condition.

Context

A haphazard sample of 40 payments from a population of 319 was initially tested. This resulted in one instance of immaterial noncompliance. In response to this immaterial noncompliance, an additional sample of 20 payments was tested with no additional noncompliance noted.

Repeat Finding

No.

Recommendation

The County should establish more effective internal controls and monitoring over the collection of certifications to ensure compliance with the requirements of the law.

Corrective Action Plan and Views of Responsible Officials

For all future stipend payments, the Alternative Payment Program Supervisor will review and confirm that all appropriate documentation is submitted along with the request for payment. This documentation will be reviewed by the Early Care and Education Senior Accounting Technician for accuracy and completeness before approving the stipend payment. Stipend payments will not be approved for payment until all appropriate documentation has been received and reviewed by the Early Care and Education Financial Services Manager.

None reported.

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