

SANTA BARBARA COUNTY SELPA JOINT POWERS AGENCY BOARD

Special Meeting

Monday, January 9, 2023

Public Session – 12:00 p.m.

Via ZOOM – Meeting ID: 889 5245 2626

On March 3, 2020, Governor Newsom proclaimed a State of Emergency due to COVID-19 and has issued Executive Order N-29-20 and approved AB361 suspending provisions of the Brown Act allowing meetings via teleconferencing and members of the public to observe and offer comments telephonically or electronically.

Agenda

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting or need this agenda provided in a disability-related alternative format, please contact the SBCSELPA Office at 683-1424. Prompt notification will assist the SBCSELPA to make suitable arrangements.

PUBLIC COMMENTS ARE WELCOME

The Santa Barbara County SELPA JPA Board will receive public comments about items appearing on today's agenda, as well as other matters within the subject matter jurisdiction of the Board. All such comments will be received during the Public Comments section of the agenda. Individuals who address the Board are limited to three (3) minutes to speak on any item and a total of 10 minutes on all items for their presentation. The Board may limit the total time for all public comment to 30 minutes. Persons needing additional time are requested to submit the information in writing.

For comments concerning matters not on the agenda, open meeting laws and fairness to other residents who may have an interest in your topic prohibit the Board from taking action or engaging in extended discussion of your concerns. The Board may direct staff to meet at a later date with speakers who have specific concerns or needs. The Board may also direct that an issue be placed on a future agenda for discussion and consideration. This permits the Board and staff members to prepare and receive necessary information and for the public to be aware that a topic is being formally considered. We appreciate your cooperation.

Due to COVID-19 and Governor Newsom's Executive Order N-29-20 & approved AB361 this meeting is being held virtually, with the option to join at the physical location provided. If you wish to speak on an item listed on this agenda or under public comment, it is requested that you submit a speaker card in advance of the meeting please contact Lindsay MacDonald, lamacdona1d@sbcse1pa.org or (805) 683-1424, to request a form. Persons wishing to make public comments are requested to complete the appropriate form and return it to Lindsay MacDonald via email or another agreed upon method.

I. PUBLIC SESSION

- A. Call to Order
- B. Roll Call
- C. Flag Salute
- D. Welcome Guests

II. PUBLIC COMMENTS

Please refer to information above regarding public comment guidelines.

III. **APPROVAL OF ADDITIONAL EMERGENCY ITEMS** (Government Code Section 54954.3(b)(2))IV. **APPROVAL OF ACTION AGENDA**

It is recommended that the JPA Board take action to approve the action agenda as presented/amended.

Motion: _____
Second: _____
In Favor: _____
Opposed: _____
Abstained: _____

V. **CONSENT AGENDA ITEMS** – No Consent Agenda.VI. **PRESENTATION** – No Presentation.VII. **ITEMS SCHEDULED FOR ACTION/CONSIDERATION**

A. SBCSELPA Annual Audit Report for Fiscal Year Ending June 30, 2022

REF: VII-A

1. Audit Report
2. Representation Letter

It is recommended that the JPA Board approve the SBCSELPA Annual Audit Report for Fiscal Year Ending June 30, 2022 as presented.

Motion: _____
Second: _____
In Favor: _____
Opposed: _____
Abstained: _____

B. Resolution 22-23-10 Recognizing a State of Emergency and Authorizing Teleconferenced Meeting for Regular Board Meeting on February 6, 2023

REF: VII-B

1. Resolution 22-23-10

It is recommended that the JPA Board approve Resolution 22-23-10 Authorizing the February 6, 2023 JPA Board Regular to be held virtually as presented.

Motion: _____
Second: _____
In Favor: _____
Opposed: _____
Abstained: _____

VIII. **ITEMS SCHEDULED FOR INFORMATION AND DISCUSSION** – No Items.IX. **MISCELLANEOUS AGENDA ITEMS**

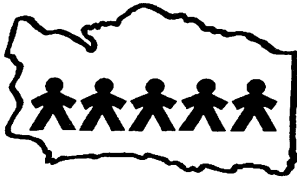
A. Items Proposed for Future Action or Discussion

B. Next Scheduled JPA Board Meeting: Date: February 6, 2023

Time: 12:00 p.m.

Location: Via Zoom due to COVID-19 & AB 361

X. **ADJOURNMENT**



Santa Barbara County Special Education Local Plan Area

A Joint Powers Agency

Date: January 6, 2023

To: SBCSELPA JPA Board

From: Ray Avila, SBCSELPA Executive Director

Re: SBCSELPA Annual Audit Report for Fiscal Year Ending June 30, 2022

BACKGROUND:

Eide Bailly LLP has conducted the annual audit of the SBCSELPA for the fiscal year ending June 30, 2022. The audit report will be filed with the Santa Barbara County Education Office and with the California Department of Education.

FINANCIAL STATEMENTS

Types of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Materials weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	Unmodified
Significant deficiency identified?	None reported

Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit finding disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major Federal Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027A, 84.173, and 84.173A	Special Education (IDEA) Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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SUMMARY:. Audit Finding 2022-001 60000 – Internal Control Weakness caused material misstatements. June 2022 state apportionments were not accrued and Fair Value Adjustment for Cash in Treasury. A corrective action plan has been created and is being implemented.

FISCAL IMPACT: Increase in 2021-22 Ending Fund Balance of \$395,447.

RECOMMENDATIONS: The JPA Board approve the SBCSELPA Annual Audit Report for Fiscal Year Ending June 30, 2022 as presented.



December 15, 2022

To the Governing Board
 Santa Barbara County Special Education Local Plan Area
 Santa Barbara, California

We have audited the financial statements of Santa Barbara County Special Education Local Plan Area (the SELPA) as of and for the year ended June 30, 2022, and have issued our report thereon dated December 15, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and Government Auditing Standards

As communicated in our letter dated June 1, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the SELPA solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our 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 dated December 15, 2022.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the SELPA is included in Note 1 to the financial statements. As described in Note 1, the SELPA changed accounting policies related to accounting for leases to adopt the provisions of GASB Statement No. 87, *Leases*. The effect of the implementation of this standard had no effect on Significant Accounting Estimates net position as of July 1, 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. No such significant accounting estimates were identified.

The most sensitive accounting estimates affecting the financial statements are:

Governmental Accounting Standards Board (GASB) requires the SELPA to calculate, recognize, and report the costs and obligations associated with pensions in their financial statements. These amounts were all determined based on the SELPA's proportionate share of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) estimated net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, which utilized projections of future contributions and future earnings, actuarial assumptions such as inflation, salary increases, mortality rates, and investment rate of return and discount rates in the determination of the final balances reported in the CalSTRS and CalPERS audited financial statements. The SELPA's proportionate share was determined by calculating the SELPA's share of contributions to the pension plan relative to the contributions of all participating entities in the plan.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting District's financial statements relate to the Employee Retirement Systems (Note 9).

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

There were no uncorrected misstatements of the financial statements.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

<u>Governmental Activities and General Fund</u>	
Overstatement of Fair Value Adjustment to Cash in County Treasury	\$(151,819)
Understatement of receivables	\$547,156
Understatement of net position/fund balance	\$395,337

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the SELPA's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify any circumstances that affect the form and content of the auditor's report.

Modification of the Auditor's Report

We have made the following modifications to our auditor's report:

Adoption of New Accounting Standard

As discussed in Notes 1 and 12 to the financial statements, the SELPA has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, Leases, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated December 15, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the SELPA, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the SELPA's auditors.

This report is intended solely for the information and use of the governing board, and management of the SELPA and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Rancho Cucamonga, California



Financial Statements
June 30, 2022

Santa Barbara County Special Education Local Plan Area

Santa Barbara County Special Education Local Plan Area

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Independent Auditor's Report

To the Governing Board
 Santa Barbara County Special Education Local Plan Area
 Goleta, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Santa Barbara County Special Education Local Plan Area (the SELPA) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the SELPA'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 and each major fund of the SELPA, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Notes 1 and 12 to the financial statements, the SELPA has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the SELPA'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 SELPA'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 SELPA'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 the SELPA's proportionate share of the net pension liability, and the schedule of SELPA contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022 on our consideration of the SELPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SELPA'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 SELPA's internal control over financial reporting and compliance.



Rancho Cucamonga, California
December 15, 2022



Santa Barbara County Special Education Local Plan Area A Joint Powers Agency

This section of Santa Barbara County Special Education Local Plan Area's (the SELPA) annual financial report presents our discussion and analysis of the SELPA's financial performance during the fiscal year that ended on June 30, 2022 with comparative information for the year ended June 30, 2021. Please read it in conjunction with the SELPA's financial statements, which immediately follow this section.

ORGANIZATIONAL STRUCTURE OF SELPA

Governance and Governance Structure

The SELPA is a group of 20 school districts, four charter schools, and the County Education Office that have joined together to provide special education programs and services.

The SELPA is organized as a Joint Powers Agency, which is technically an independent governmental agency. The SELPA is governed by the SELPA Joint Powers Agency Board, which is comprised of eight voting members. The Board is comprised of the County Superintendent of Schools and superintendents of districts in Santa Barbara County selected as follows: two members from non-direct service districts in south Santa Barbara County, two members from non-direct service districts in north Santa Barbara County, one member from direct service districts in Santa Barbara County, one member from direct service districts in central Santa Barbara County and one member from a 9-12 grade high school district. The County Superintendent of Schools serves continuously as an eighth member of the Board.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Santa Barbara County Special Education Local Plan Area 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 SELPA from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the SELPA (including capital and right-to-use leased 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-Wide Financial Statements* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Santa Barbara County Special Education Local Plan Area
Management's Discussion and Analysis
June 30, 2022

The *Fund Financial Statements* include statements for the following category of activity:

- The *Governmental Funds* are prepared using the current financial resources measurement focus and the modified 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 Special Education Local Plan Area.

REPORTING THE SELPA 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 SELPA as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the SELPA 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 SELPA's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the SELPA's financial health, or financial position. Over time, increases or decreases in the SELPA's net position will serve as a useful indicator of whether the financial position of the SELPA is improving or deteriorating. Other factors to consider are changes in the SELPA's funding situation and the condition of the SELPA's facilities.

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

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

Governmental Activities - All of the SELPA's services are reported in this category. This includes providing special education programs and services.

Santa Barbara County Special Education Local Plan Area
Management's Discussion and Analysis
June 30, 2022

REPORTING THE SELPA'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the General Fund and the Special Education Pass-Through Fund - not the SELPA as a whole. Some funds are required to be established by State law and by bond covenants. However, management may establish 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 from the U.S. Department of Education.

Governmental Funds - All of the SELPA's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the SELPA'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 SELPA'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.

FINANCIAL HIGHLIGHTS

Executive Summary

The SELPA Board and management establishes allocations for all ending fund balances and carryover monies so that they may directly benefit the districts and students we serve in Santa Barbara County. Accounts established for such things as legal fees, non-public school placements, professional development and trainings that were not fully expended are brought before the SELPA JPA Board for reallocation in the 2021-2022 school year. The JPA Board allocated \$387,404 of unused 2020-2021 non-Mental Health funds and \$1,339,553 of unused Mental Health funds to be distributed back to the districts in the 2021-2022 school year. In this way, funds that are not expended in any year are re-allocated back to the members to help staff and students.

Santa Barbara County Special Education Local Plan Area
Management's Discussion and Analysis
June 30, 2022

THE SELPA AS A WHOLE

Net Position

The SELPA's net position was \$3,575,903, for the fiscal year ended June 30, 2022. Of this amount, \$(864,405) was unrestricted (deficit) net position. 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 that 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 SELPA's governmental activities.

Table 1

	Governmental Activities	
	2022	2021 as restated
Assets		
Current and other assets	\$ 27,339,072	\$ 19,917,112
Capital assets and right-to-use leased assets	405,982	458,348
Total assets	27,745,054	20,375,460
Deferred outflows of resources	322,109	472,504
Liabilities		
Current liabilities	22,851,828	15,560,371
Long-term liabilities other than pensions	375,321	421,448
Aggregate net pension liability	559,394	1,308,317
Total liabilities	23,786,543	17,290,136
Deferred inflows of resources	704,717	162,989
Net Position		
Net investment in capital assets	36,569	44,845
Restricted	4,403,739	4,210,117
Unrestricted (deficit)	(864,405)	(863,123)
Total net position	\$ 3,575,903	\$ 3,391,839

The \$(864,405) in unrestricted (deficit) net position of all governmental activities represents the accumulated results of all past years' operations. Unrestricted (deficit) net position increased by \$1,282, or 0.1% compared to the previous year's balance of \$(863,123). The overall deficit increase in unrestricted net position is largely due to reclassifying assets from unrestricted to restricted.

Santa Barbara County Special Education Local Plan Area
Management's Discussion and Analysis
June 30, 2022

Changes in Net Position

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

Table 2

	Governmental Activities	
	2022	2021*
Revenues		
Program revenues		
Operating grants and contributions	\$ 67,537,043	\$ 57,698,265
General revenues		
Other general revenues	(58,116)	23,375
Total revenues	<u>67,478,927</u>	<u>57,721,640</u>
Expenses		
Instruction-related	3,244,881	3,289,711
Administration	13,578	7,612
Plant services	19,106	21,392
Interest on long-term liabilities	7,273	-
Other outgo	64,010,025	54,160,608
Total expenses	<u>67,294,863</u>	<u>57,479,323</u>
Change in net position	<u>\$ 184,064</u>	<u>\$ 242,317</u>

The expenses for fiscal year 2021 were not restated to show the effects of GASB Statement No. 87, *Leases*, for comparative purposes.

Santa Barbara County Special Education Local Plan Area
Management's Discussion and Analysis
June 30, 2022

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$67,294,863. The cost of these activities was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$67,537,043). We paid for the remaining "public benefit" portion of our governmental activities with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the SELPA's largest functions – instruction-related activities, administration, plant services, interest on long-term liabilities and other outgo. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2022	2021*	2022	2021*
Instruction-related	\$ 3,244,881	\$ 3,289,711	\$ 597,139	\$ 345,447
Administration	13,578	7,612	(266)	317
Plant services	19,106	21,392	(95)	4,241
Interest on long-term liabilities	7,273	-	(7,273)	-
Other outgo	64,010,025	54,160,608	(347,325)	(131,063)
Total	\$ 67,294,863	\$ 57,479,323	\$ 242,180	\$ 218,942

*The total and net cost of services for fiscal year 2021 were not restated to show the effects of GASB Statement No. 87, *Leases*, for comparative purposes.

Instructions-related costs include the SELPA staff, Mental Health Specialists, WRAP Coordinator, and BCBAs, and WRAP team services (contracted with Goleta Union Elementary School District). Four SELPA Staff Positions were reorganized and reclassified at the end of 2020-2021 resulting in a reduction of one FTE. There were cost savings for these classified positions. A three percent increase was applied to all salaries, resulting in a net increase in salary costs. There were fewer Nonpublic school placements and vacancies on the wrap team. There was an increase in travel as a result of COVID-19 closures ending and more in-person instruction and activities. Increased cost of legal services, CAPTAIN, and other one-time expenditures due to additional grant funding. Administration costs include data processing costs. Other-outgo expenses are primarily due to Fund 10 passthrough account to transfer revenues to districts in accordance with the SBCSELPA Local plan. Historical and ongoing other-outgo expenses from Fund 01 include payments of deferred maintenance of regional program classrooms, Low Incidence and allocation of unused mental health costs and other special education costs back to the districts. Low Incidence transfers to districts increased by over \$1.6 million and are included in the Other Outgo.

Santa Barbara County Special Education Local Plan Area
Management's Discussion and Analysis
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THE SELPA'S FUNDS

As the SELPA completed this year, our governmental fund reported a fund balance of \$4,487,244, which is an increase of \$133,503, or 3.1% from last year. (Table 4)

Table 4

Governmental Fund	Balances and Activity			
	June 30, 2021	Revenues	Expenditures	June 30, 2022
General	\$ 4,353,741	\$ 7,200,595	\$ 7,067,092	\$ 4,487,244
Special Education Pass-Through	-	60,314,216	60,314,216	-
Total	<u>\$ 4,353,741</u>	<u>\$ 67,514,811</u>	<u>\$ 67,381,308</u>	<u>\$ 4,487,244</u>

The primary reason for this increase is:

- Out-of-Home Care funding being retained at the SELPA level pending recalculation by the State in February 2023, and subsequent distributions.

General Fund Budgetary Highlights

Over the course of the year, the SELPA revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on March 7, 2022. (A schedule showing the SELPA's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 45.

Revenue revisions made to the 2021-2022 Budget were due primarily to the increase in one-time grant funding as authorized in the California Budget Act of 2022 and the Federal American Rescue Plan Act. Expense revisions were made in associations with the revenue increases and for the allocation of fiscal year 2020-2021 ending fund balance to create the following accounts:

- District Legal Allocation,
- SELPA-Wide Professional Development and CPI Training
- MAA carryover
- Low Incidence Equipment carryover
- Transfer of allocated ending fund balances to districts

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CAPITAL ASSET, RIGHT-TO-USE LEASED ASSETS AND DEBT ADMINISTRATION

Capital Assets and Right-to-Use Leased Assets

At June 30, 2022, the SELPA had \$405,982, in leased assets, and buildings and improvements. This amount represents a net decrease of \$52,366, or 11.4%, as compared to last year's restated balance, due to the depreciation and amortization (Table 5).

Table 5

	Governmental Activities	
	2022	2021 as restated
Buildings and improvements	\$ 39,569	\$ 44,845
Leased assets	366,413	413,503
Total	<u>\$ 405,982</u>	<u>\$ 458,348</u>

We provide more detailed information regarding capital assets and right-to-use leased assets in Note 4 of the financial statements.

Long-Term Liabilities Other than Pensions

At the end of this year, the SELPA had \$375,321 in long-term liabilities outstanding versus \$421,448 last year as restated, a decrease of \$46,127, or 10.9%. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2022	2021 as restated
Long-Term Liabilities		
Leases	\$ 369,413	\$ 413,503
Compensated absences	5,908	7,945
Total	<u>\$ 375,321</u>	<u>\$ 421,448</u>

We provide more detailed information regarding long-term liabilities in Note 6 of the financial statements.

Santa Barbara County Special Education Local Plan Area
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Aggregate Net Pension Liability (NPL)

At year-end, the SELPA had an aggregate net pension liability of \$559,394, versus \$1,308,317 last year, a decrease of \$748,923, or 57.24%. We provide more detailed information regarding pension liability in Note 9 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the SELPA Budget for the 2022-2023 fiscal year, the Board and management used the following criteria: The key assumptions in our revenue forecast are:

1. Cost of Living Adjustment (COLA) of 6.56% was applied to AB602 Revenue in the 2022-2023 Adopted Budget.
2. Federal income will be tied directly to grant awards that are received for various programs, i.e., staff development and low incidence and is projected to remain flat.
3. There was no COLA applied to Salaries. Step-and-Column increases were applied.
4. Benefits were estimated based on current and historical data.
5. Reductions in expenses for one-time funding.

CONTACTING THE SELPA'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the SELPA's finances and to show the SELPA's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the SELPA Executive Director, Dr. Ray Avila, at Santa Barbara County Special Education Local Plan Area, 5385 Hollister Avenue, Bldg. 5, Box 107, Santa Barbara, California, 93111, or e-mail at ravila@sbcselfpa.org.

Santa Barbara County Special Education Local Plan Area

Statement of Net Position

June 30, 2022

	<u>Governmental Activities</u>
Assets	
Investments	\$ 4,346,478
Receivables	22,992,594
Capital assets, net of accumulated depreciation	39,569
Right-to-use leased assets, net of accumulated amortization	<u>366,413</u>
Total assets	<u>27,745,054</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	<u>322,109</u>
Liabilities	
Accounts payable	22,851,828
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	44,290
Long-term liabilities other than pensions due in more than one year	331,031
Aggregate net pension liability	<u>559,394</u>
Total liabilities	<u>23,786,543</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	<u>704,717</u>
Net Position	
Net investment in capital assets	36,569
Restricted for	
Educational programs	4,403,739
Unrestricted (deficit)	<u>(864,405)</u>
Total net position	<u>\$ 3,575,903</u>

Santa Barbara County Special Education Local Plan Area

Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues	Net (Expenses) Revenues and Changes in Net Position
		Operating Grants and Contributions	Governmental Activities
Governmental Activities			
Instruction-related activities			
Supervision of instruction	\$ 3,244,881	\$ 3,842,020	\$ 597,139
All other administration	13,578	13,312	(266)
Plant services	19,106	19,011	(95)
Interest on long-term liabilities	7,273	-	(7,273)
Other outgo	<u>64,010,025</u>	<u>63,662,700</u>	<u>(347,325)</u>
Total governmental activities	<u>\$ 67,294,863</u>	<u>\$ 67,537,043</u>	<u>242,180</u>
General Revenues and Subventions			
Interest, investment earnings and change in fair market valuation			(132,225)
Miscellaneous			<u>74,109</u>
Subtotal, general revenues and subventions			<u>(58,116)</u>
Change in Net Position			184,064
Net Position - Beginning, as restated			<u>3,391,839</u>
Net Position - Ending			<u>\$ 3,575,903</u>

Santa Barbara County Special Education Local Plan Area

Balance Sheet – Governmental Funds

June 30, 2022

	General Fund	Special Education Pass-Through Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Investments	\$ 4,313,208	\$ 33,270	\$ 4,346,478
Receivables	<u>1,702,281</u>	<u>21,290,313</u>	<u>22,992,594</u>
Total assets	<u>\$ 6,015,489</u>	<u>\$ 21,323,583</u>	<u>\$ 27,339,072</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	<u>\$ 1,528,245</u>	<u>\$ 21,323,583</u>	<u>\$ 22,851,828</u>
Fund Balances			
Restricted	4,403,739	-	4,403,739
Unassigned	<u>83,505</u>	<u>-</u>	<u>83,505</u>
Total fund balances	<u>4,487,244</u>	<u>-</u>	<u>4,487,244</u>
Total liabilities and fund balances	<u>\$ 6,015,489</u>	<u>\$ 21,323,583</u>	<u>\$ 27,339,072</u>

Santa Barbara County Special Education Local Plan Area
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balance - Governmental Funds	\$ 4,487,244
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	\$ 131,895
Accumulated depreciation is	<u>(92,326)</u>
Net capital assets	39,569
Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of right-to-use leased assets is	413,503
Accumulated amortization is	<u>(47,090)</u>
Net right-to-use leased assets	366,413
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	
Aggregate net pension liability	<u>322,109</u>
Total deferred outflows of resources	322,109
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	
Aggregate net pension liability	<u>(704,717)</u>
Total deferred inflows of resources	(704,717)
Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(559,394)
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	(369,413)
Compensated absences (vacations)	<u>(5,908)</u>
Total long-term liabilities	<u>(375,321)</u>
Total net position - governmental activities	<u>\$ 3,575,903</u>

Santa Barbara County Special Education Local Plan Area
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2022

	General Fund	Special Education Pass-Through Fund	Total Governmental Funds
Revenues			
Federal sources	\$ 863,656	\$ 21,725,587	\$ 22,589,243
Other State sources	5,847,159	38,586,719	44,433,878
Other local sources	489,780	1,910	491,690
Total revenues	<u>7,200,595</u>	<u>60,314,216</u>	<u>67,514,811</u>
Expenditures			
Current			
Instruction-related activities			
Supervision of instruction	3,287,236	-	3,287,236
Administration			
All other administration	13,578	-	13,578
Plant services	19,106	-	19,106
Other outgo	3,695,809	60,314,216	64,010,025
Debt service			
Principal	44,090	-	44,090
Interest and other	7,273	-	7,273
Total expenditures	<u>7,067,092</u>	<u>60,314,216</u>	<u>67,381,308</u>
Net Change in Fund Balances	133,503	-	133,503
Fund Balance - Beginning	<u>4,353,741</u>	<u>-</u>	<u>4,353,741</u>
Fund Balance - Ending	<u><u>\$ 4,487,244</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,487,244</u></u>

Santa Barbara County Special Education Local Plan Area
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities
 Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds	\$ 133,503
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expenses in the Statement of Activities. This is the amount by which depreciation and amortization expense exceeds capital outlay in the period.	(52,366)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used	2,037
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and aggregate net pension liability during the year	56,800
Payment of principal on lease liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	<u>44,090</u>
Change in net position of governmental activities	<u><u>\$ 184,064</u></u>

Santa Barbara County Special Education Local Plan Area

Notes to Financial Statements

June 30, 2022

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Santa Barbara County Special Education Local Plan Area (the SELPA) was organized in 1983 as a Joint Powers Agreement (JPA). The following Santa Barbara County LEAs are members in 2021-2022:

Adelante Charter School	Los Olivos School District
Ballard School District	Manzanita Public Charter School
Blockman Union School District	Montecito Union School District
Buellton Union School District	Orcutt Union School District
Carpinteria Unified School District	Santa Barbara Charter School
Cold Spring School District	Santa Barbara County Education Office
College School District	Santa Barbara Unified School District
Cuyama Joint Unified School District	Santa Maria Joint Union High School District
Family Partnership Charter School	Santa Maria-Bonita School District
Goleta Union School District	Santa Ynez Valley Union High School District
Guadalupe Union School District	Solvang School District
Hope School District	Vista Del Mar Union School District
Lompoc Unified School District	

The purpose of the SELPA is to maintain programs for the education of individuals with special needs in the most cost-effective manner. This plan is carried out through the coordination of special education services within the members' geographic boundary.

The SELPA is governed by the JPA board, which consists of representatives from members' administration. The SELPA maintains an administrative paid staff for managerial control and a classified staff to provide services to member SELPAs. The certificated staff are employees of a member district or employees of the SELPA, depending on their duties.

Basis of Presentation - Fund Accounting

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

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 SELPA's governmental funds:

Santa Barbara County Special Education Local Plan Area

Notes to Financial Statements

June 30, 2022

General Fund The General Fund is the chief operating fund for the SELPA. All transactions are accounted for in this fund.

Special Education Pass-Through Fund The Special Education Pass-Through Fund is used by the Administrative Unit of a multi-district Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member districts.

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. This differs from the manner in which governmental fund financial statements are prepared.

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

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

Fund Financial Statements Fund financial statements report detailed information about the SELPA. 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.

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.

Santa Barbara County Special Education Local Plan Area

Notes to Financial Statements

June 30, 2022

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. Principal and interest on general long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

Investments

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

Capital Assets and Depreciation

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

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

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/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

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

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

Santa Barbara County Special Education Local Plan Area

Notes to Financial Statements

June 30, 2022

Compensated Absences

Compensated absences are accrued as a liability and reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide fund 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, 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.

Deferred Outflows/Inflows of Resources

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

Santa Barbara County Special Education Local Plan Area

Notes to Financial Statements

June 30, 2022

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for miscellaneous risk pool (MRP) 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 General Fund.

Leases

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

Fund Balances - Governmental Funds

As of June 30, 2022, fund balance of the governmental funds is classified as follows:

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.

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 SELPA considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the SELPA 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.

Santa Barbara County Special Education Local Plan Area

Notes to Financial Statements

June 30, 2022

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position 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. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the SELPA or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The SELPA first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$4,403,739 of net position restricted by enabling legislation.

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.

Change in Accounting Principles

Implementation of GASB Statement No. 87

As of July 1, 2021, the SELPA adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 12 and the additional disclosures required by this standard are included in Notes 4 and 6.

Implementation of GASB Statement No. 92

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

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.

Santa Barbara County Special Education Local Plan Area

Notes to Financial Statements

June 30, 2022

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

The requirements of this Statement are effective as follows:

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

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

Implementation of GASB Statement No. 93

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

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.

Santa Barbara County Special Education Local Plan Area

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- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

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

Note 2 - Investments

Summary of Investments

Investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 4,346,478
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Investments as of June 30, 2022, consist of the following:

Cash on hand and in banks	\$ 12,088
Investments	4,334,390
	<hr/>
Total deposits and investments	\$ 4,346,478

Policies and Practices

The SELPA 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 SELPA is considered to be an involuntary participant in an external investment pool as the SELPA is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the SELPA's investment in the pool is reported in the accounting financial statements at amounts based upon the SELPA'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.

Santa Barbara County Special Education Local Plan Area

Notes to Financial Statements

June 30, 2022

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 SELPA 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 SELPA manages its exposure to interest rate risk by holding the majority of its investments in the Santa Barbara County Treasury Investment Pool. The Pool purchases shorter term investments and attempts to time cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The SELPA maintains an investment of \$4,334,390, with the Santa Barbara County Treasury Investment Pool. The average weighted maturity for this pool was 664 days.

Santa Barbara County Special Education Local Plan Area

Notes to Financial Statements

June 30, 2022

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 investment with the Santa Barbara County Treasury Investment Pool is currently not rated, nor is required to be rated.

Note 3 - Receivables

Receivables at June 30, 2022, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Special Education Pass-Through Fund	Total Governmental Activities
Federal Government			
Categorical aid	\$ 869,910	\$ 18,337,836	\$ 19,207,746
State Government			
Other State	811,734	2,952,356	3,764,090
Local Government			
Interest	7,329	57	7,386
Other local sources	13,308	64	13,372
Total	<u>\$ 1,702,281</u>	<u>\$ 21,290,313</u>	<u>\$ 22,992,594</u>

Santa Barbara County Special Education Local Plan Area

Notes to Financial Statements

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Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1, 2021 as restated	Additions	Deductions	Balance June 30, 2022
Governmental Activities				
Capital assets being depreciated				
Buildings and improvements	\$ 131,895	\$ -	\$ -	\$ 131,895
Accumulated depreciation				
Buildings and improvements	(87,050)	(5,276)	-	(92,326)
Net depreciable capital assets	44,845	(5,276)	-	39,569
Right-to-use leased assets being amortized				
Buildings and improvements	405,359	-	-	405,359
Furniture and equipment	8,144	-	-	8,144
Total right-to-use leased assets being amortized	413,503	-	-	413,503
Accumulated amortization				
Buildings and improvements	-	(45,461)	-	(45,461)
Furniture and equipment	-	(1,629)	-	(1,629)
Total accumulated amortization	-	(47,090)	-	(47,090)
Net right-to-use leased assets	413,503	(47,090)	-	366,413
Governmental activities capital assets and right- to-use leased assets, net	\$ 458,348	\$ (52,366)	\$ -	\$ 405,982

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

Governmental Activities	
Supervision of instruction	\$ 52,366

Santa Barbara County Special Education Local Plan Area

Notes to Financial Statements

June 30, 2022

Note 5 - Accounts Payable

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

	General Fund	Special Education Pass-Through Fund	Total
Due to member LEAs	\$ 174,448	\$ 21,323,583	\$ 21,498,031
Supplies	1,282,184	-	1,282,184
Other vendor payables	71,613	-	71,613
Total	<u>\$ 1,528,245</u>	<u>\$ 21,323,583</u>	<u>\$ 22,851,828</u>

Note 6 - Long-Term Liabilities Other than Pensions

Summary

The changes in the SELPA's long-term liabilities other than Pensions during the year consisted of the following:

	Balance July 1, 2021 as restated	Additions	Deductions	Balance June 30, 2022	Due in One Year
Long-Term Liabilities					
Leases	\$ 413,503	\$ -	\$ (44,090)	\$ 369,413	44,290
Compensated absences	7,945	-	(2,037)	5,908	\$ -
Total	<u>\$ 421,448</u>	<u>\$ -</u>	<u>\$ (46,127)</u>	<u>\$ 375,321</u>	<u>\$ 44,290</u>

The leases and compensated absences will be paid by the General Fund.

Leases

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

Lease	July 1, 2021 as restated	Addition	Payments	June 30, 2022
SELPA Office	\$ 405,359	\$ -	\$ (42,554)	\$ 362,805
Copier	8,144	-	(1,536)	6,608
Total	<u>\$ 413,503</u>	<u>\$ -</u>	<u>\$ (44,090)</u>	<u>\$ 369,413</u>

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Notes to Financial Statements

June 30, 2022

SELPA Office Lease

The SELPA entered an agreement to lease office space for 36 months, beginning June 1, 2021. The initial lease term is through May 31, 2024, and has two three-year renewal options that are deemed reasonably certain to be exercised. Under the terms of the lease, the SELPA pays a monthly base fee of \$4,132.50, increasing 3.00% annually beginning in July 2022. At June 30, 2022, the SELPA has recognized a right-to-use asset of \$359,899 and a lease liability of \$362,806 related to this agreement. During the fiscal year, the SELPA recorded \$45,461 in amortization expense and \$7,037 in interest expense for the right-to-use the office space. the SELPA used a discount rate of 2.00%, based on estimates for similar property financing rates in place at the initiation of the lease.

Copier Lease

The SELPA entered an agreement to lease a copier for 60 months, beginning June 30, 2021. Under the terms of the lease, the SELPA makes monthly payments of \$147.72, which amounts to total principal and interest costs of \$8,863. At June 30, 2022, the SELPA has recognized a right-to-use asset of \$6,514 and a lease liability of \$6,607 related to this agreement. During the fiscal year, the SELPA recorded \$1,629 in amortization expense and \$236 in interest expense for the right-to-use the copier. The SELPA used a discount rate of 3.50%, based on estimates for similar equipment financing rates in place at the initiation of the lease.

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

Year Ending June 30,	Principal	Interest	Total
2023	\$ 44,290	\$ 7,072	\$ 51,362
2024	45,209	6,154	51,363
2025	46,146	5,217	51,363
2026	47,103	4,259	51,362
2027	46,279	3,311	49,590
2028-2032	140,386	4,251	144,637
Total	<u>\$ 369,413</u>	<u>\$ 30,264</u>	<u>\$ 399,677</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the SELPA at June 30, 2022 amounted to \$5,908.

Santa Barbara County Special Education Local Plan Area

Notes to Financial Statements

June 30, 2022

Note 7 - Fund Balance

Fund balances are composed of the following elements:

	General Fund
Restricted	
Legally restricted programs	\$ 4,403,739
Unassigned	83,505
	<hr/>
Total	\$ 4,487,244
	<hr/>

Note 8 - Risk Management

The SELPA 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 SELPA's risk management activities are recorded in the General Fund. The SELPA participates in various public entity risk pools for employee health benefit coverage, workers' compensation coverage, and property and liability coverage. As of June 30, 2022, information was not available that indicates that the SELPA has an outstanding obligation for any calculated deficits. See Note 11 for additional information regarding the pools.

Employee Health Benefits

For fiscal year 2021-2022, the SELPA participated in the Self-Insured Schools of California III (SISC III), a public entity risk pool. The intent of SISC III is to achieve lower medical costs for member districts by virtue of its grouping and representation with other participants in SISC III.

Workers' Compensation

For fiscal year 2021-2022, the SELPA participated in the Santa Barbara Self-Insurance Program for Employees (SBSIPE). The intent of the SBSIPE is to achieve the benefit of reduced workers' compensation costs by virtue of its grouping and representation with other participants in the SBSIPE. The workers' compensation rate is common for all districts in the SBSIPE, with each member's experience used to calculate its actual applied rate. Participation in the SBSIPE is limited to districts that can meet the SBSIPE's selection criteria.

Property and Liability

For fiscal year 2021-2022, the SELPA participated in the Self-Insured Schools of California II (SISC II) for property and liability insurance coverage. Settled claims have not exceeded coverage limits in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Santa Barbara County Special Education Local Plan Area

Notes to Financial Statements

June 30, 2022

Note 9 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2022, the SELPA 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	\$ 289,043	\$ 202,180	\$ 468,716	\$ 34,166
CalPERS	270,351	119,929	236,001	37,322
Total	<u>\$ 559,394</u>	<u>\$ 322,109</u>	<u>\$ 704,717</u>	<u>\$ 71,488</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

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

Benefits Provided

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

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

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

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

Contributions

Required member, SELPA, and 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 the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the SELPA's total contributions were \$59,956.

Santa Barbara County Special Education Local Plan Area

Notes to Financial Statements

June 30, 2022

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

At June 30, 2022, the SELPA reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the SELPA. The amount recognized by the SELPA 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 SELPA were as follows:

Total net pension liability, including State share

Proportionate share of net pension liability	\$ 289,043
State's proportionate share of the net pension liability	<u>145,435</u>
Total	<u>\$ 434,478</u>

The net pension liability was measured as of June 30, 2021. The SELPA's proportion of the net pension liability was based on a projection of the SELPA's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The SELPA's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.0006% and 0.0008%, resulting in a net decrease in the proportionate share of 0.0002%.

For the year ended June 30, 2022, the SELPA recognized pension expense of \$34,166. In addition, the SELPA recognized pension expense and revenue of \$4,976, for support provided by the State. At June 30, 2022, the SELPA 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	\$ 59,956	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	100,546	209,316
Differences between projected and actual earnings on pension plan investments	-	228,640
Differences between expected and actual experience in the measurement of the total pension liability	724	30,760
Changes of assumptions	<u>40,954</u>	<u>-</u>
Total	<u>\$ 202,180</u>	<u>\$ 468,716</u>

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

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June 30, 2022

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2023	\$ (58,061)
2024	(53,107)
2025	(54,424)
2026	(63,048)
	<u> </u>
Total	<u>\$ (228,640)</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2023	\$ (45,375)
2024	21,643
2025	3,525
2026	(26,932)
2027	(24,436)
Thereafter	(26,277)
	<u> </u>
Total	<u>\$ (97,852)</u>

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Notes to Financial Statements

June 30, 2022

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2021, are summarized in the following table:

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

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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 SELPA'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%)	\$ 588,388
Current discount rate (7.10%)	289,043
1% increase (8.10%)	40,592

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Miscellaneous Risk 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>.

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Notes to Financial Statements

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Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	7.000%
Required employer contribution rate	8.650%	7.590%

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 SELPA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total SELPA contributions were \$58,508.

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

As of June 30, 2022, the SELPA reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$270,351. The net pension liability was measured as of June 30, 2021.

The SELPA's proportion of the net pension liability was based on a projection of the SELPA's long-term share of contributions to the pension plan relative to the projected contributions of all participating MRP entities, actuarially determined. The SELPA's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.0142% and 0.0123%, resulting in a net increase in the proportionate share of 0.0019%.

For the year ended June 30, 2022, the SELPA recognized pension expense of \$37,322. At June 30, 2022, the SELPA 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	\$ 58,508	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	31,104	-
Differences between projected and actual earnings on pension plan investments	-	236,001
Differences between expected and actual experience in the measurement of the total pension liability	30,317	-
	<u>119,929</u>	<u>236,001</u>
Total	<u>\$ 119,929</u>	<u>\$ 236,001</u>

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

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Notes to Financial Statements

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2023	\$ (59,473)
2024	(54,648)
2025	(56,662)
2026	(65,218)
	<u> </u>
Total	<u>\$ (236,001)</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and SELPA's proportionate share of contributions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 4.1 years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2023	\$ 33,767
2024	19,021
2025	8,633
	<u> </u>
Total	<u>\$ 61,421</u>

Santa Barbara County Special Education Local Plan Area

Notes to Financial Statements

June 30, 2022

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2019 through June 30, 2020
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Santa Barbara County Special Education Local Plan Area

Notes to Financial Statements

June 30, 2022

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 645,655
Current discount rate (7.15%)	270,351
1% increase (8.15%)	(39,908)

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the SELPA. These payments consist of State General Fund contributions to CalSTRS in the amount of \$40,860 (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. On behalf payments have been included in the calculation of available reserves but have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

Note 10 - Commitments and Contingencies

Grants

The SELPA 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 General 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 SELPA at June 30, 2022.

Santa Barbara County Special Education Local Plan Area

Notes to Financial Statements

June 30, 2022

Litigation

The SELPA is not currently a party to any legal proceedings.

Note 11 - Participation in Public Entity Risk Pools and Joint Power Authorities

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

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

During the year ended June 30, 2022, the SELPA made payments of \$5,050, \$167,715, and \$5,886, to SISC II, SISC III, and SBSIPE, respectively, for services received.

Note 12 - Adoption of New Accounting Standard - Restatement of Prior Year Net Position

As of July 1, 2021, the SELPA adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

Government-Wide Financial Statements

Beginning Governmental Activities Net Position reported as of June 30, 2021	\$ 3,391,839
Right-to-use intangible asset, net of amortization	413,503
Lease liability	(413,503)
	<u> </u>
Net Position - Beginning as restated July 1, 2021	<u>\$ 3,391,839</u>



Required Supplementary Information
June 30, 2022

Santa Barbara County Special Education Local Plan Area

Santa Barbara County Special Education Local Plan Area
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Federal sources	\$ 862,683	\$ 881,428	\$ 863,656	\$ (17,772)
Other State sources	2,063,763	5,985,406	5,847,159	(138,247)
Other local sources	3,948,143	999,653	489,780	(509,873)
Total revenues	6,874,589	7,866,487	7,200,595	(665,892)
Expenditures				
Current				
Certificated salaries	344,059	354,353	354,352	1
Classified salaries	737,539	781,346	781,346	-
Employee benefits	372,194	398,091	398,017	74
Books and supplies	190,353	70,050	39,351	30,699
Services and operating expenditures	3,403,360	2,230,233	1,730,337	499,896
Other outgo	1,682,903	4,524,727	3,712,326	812,401
Capital outlay	5,390	18,760	-	18,760
Debt service				
Debt service - principal	-	-	44,090	(44,090)
Debt service - interest and other	-	-	7,273	(7,273)
Total expenditures	6,735,798	8,377,560	7,067,092	1,310,468
Net Change in Fund Balances	138,791	(511,073)	133,503	644,576
Fund Balance - Beginning	4,353,741	4,353,741	4,353,741	-
Fund Balance - Ending	\$ 4,492,532	\$ 3,842,668	\$ 4,487,244	\$ 644,576

Santa Barbara County Special Education Local Plan Area
 Budgetary Comparison Schedule – Special Education Pass-Through Fund
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Federal sources	\$ 13,054,980	\$ 23,095,986	\$ 21,725,587	\$ (1,370,399)
Other State sources	28,458,328	38,698,860	38,586,719	(112,141)
Other local sources	-	-	1,910	1,910
Total revenues	41,513,308	61,794,846	60,314,216	(1,480,630)
Expenditures				
Current				
Other outgo	41,513,308	61,794,846	60,314,216	1,480,630
Net Change in Fund Balances	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

Santa Barbara County Special Education Local Plan Area
Schedule of the SELPA's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Proportion of the net pension liability	0.0006%	0.0008%	0.0008%	0.0008%	0.0005%	0.0005%	0.0008%	0.0010%
Proportionate share of the net pension liability	\$ 289,043	\$ 783,963	\$ 712,528	\$ 732,045	\$ 486,568	\$ 428,415	\$ 520,264	\$ 573,925
State's proportionate share of the net pension liability	145,435	404,133	388,732	419,130	287,568	243,113	338,638	402,000
Total	\$ 434,478	\$ 1,188,096	\$ 1,101,260	\$ 1,151,175	\$ 774,136	\$ 671,528	\$ 858,902	\$ 975,925
Covered payroll	\$ 341,127	\$ 436,813	\$ 426,966	\$ 422,966	\$ 291,264	\$ 263,243	\$ 338,638	402,000
Proportionate share of the net pension liability as a percentage of its covered payroll	84.73%	179.47%	166.88%	173.07%	167.05%	162.75%	153.63%	142.77%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS								
Proportion of the net pension liability	0.0142%	0.0123%	0.0117%	0.0113%	0.0130%	0.0126%	0.0125%	0.0125%
Proportionate share of the net pension liability	\$ 270,351	\$ 524,354	\$ 467,834	\$ 541,042	\$ 424,375	\$ 350,020	\$ 234,160	\$ 280,313
Covered payroll	\$ 657,323	\$ 580,926	\$ 502,358	\$ 508,605	\$ 453,679	\$ 121,714	\$ 236,202	406,469
Proportionate share of the net pension liability as a percentage of its covered payroll	41.13%	90.26%	93.13%	106.38%	93.54%	287.58%	99.14%	68.96%
Plan fiduciary net position as a percentage of the total pension liability	88%	81%	70%	71%	72%	74%	78%	80%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Santa Barbara County Special Education Local Plan Area
Schedule of the SELPA's Contributions
Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Contractually required contribution	\$ 59,956	\$ 55,092	\$ 74,695	\$ 69,510	\$ 61,034	\$ 36,641	\$ 28,246	\$ 30,071
Less contributions in relation to the contractually required contribution	59,956	55,092	74,695	69,510	61,034	36,641	28,246	30,071
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 354,350	\$ 341,127	\$ 436,813	\$ 426,966	\$ 422,966	\$ 291,264	\$ 263,243	\$ 338,637
Contributions as a percentage of covered payroll	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS								
Contractually required contribution	\$ 58,508	\$ 57,805	\$ 42,046	\$ 38,350	\$ 48,821	\$ 42,056	\$ 37,451	\$ 18,716
Less contributions in relation to the contractually required contribution	58,508	57,805	42,046	38,350	48,821	42,056	8,520	18,916
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,931	\$ (200)
Covered payroll	\$ 737,710	\$ 657,323	\$ 580,926	\$ 502,358	\$ 508,605	\$ 453,679	\$ 121,714	\$ 236,302
Contributions as a percentage of covered payroll	7.931%	8.794%	8.081%	7.634%	9.599%	9.270%	7.000%	8.010%

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

Note 1 - Purpose of Schedules**Budgetary Comparison Schedules**

The SELPA 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 the SELPA's Proportionate Share of the Net Pension Liability

This schedule presents information on the SELPA'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 SELPA. In the future, as data becomes available, ten years of information will be presented.

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

Schedule of the SELPA's Contributions

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



Supplementary Information
June 30, 2022

Santa Barbara County Special Education Local Plan Area

Santa Barbara County Special Education Local Plan Area
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Education				
Passed Through California Department of Education (CDE)				
Special Education (IDEA) Cluster				
Basic Local Assistance				
Entitlement, Part B, Sec. 611	84.027	13379	\$ 21,145,000	\$ 21,145,000
COVID-19 ARP IDEA, Part B, Sec. 613	84.027	15368	112,203	112,203
IDEA Mental Health Average Daily Attendance				
Allocation, Part B, Sec. 611	84.027A	15197	754,119	-
IDEA Preschool Grants, Part B, Section 619	84.173	13430	316,916	306,015
Alternative Dispute Resolution, Part B, Sec. 611	84.173A	13007	94,287	-
IDEA Preschool Staff Development, Part B, Sec. 619	84.173A	13431	4,349	-
Total Special Education (IDEA) Cluster			<u>22,426,874</u>	<u>21,563,218</u>
Special Education-Grants for Infants and Families	84.181	23761	<u>162,369</u>	<u>162,369</u>
Total Federal Financial Assistance			<u><u>\$ 22,589,243</u></u>	<u><u>\$ 21,725,587</u></u>

Santa Barbara County Special Education Local Plan Area

Local Education Agency Organization Structure

June 30, 2022

Organization

The Santa Barbara County Special Education Local Plan Area was established in 1983. The SELPA has 25 members and operates in various sites. There were no boundary changes during the year.

Governing Board

<u>MEMBER</u>	<u>OFFICE</u>	<u>REPRESENTING</u>	<u>TERM EXPIRES</u>
Ms. Anne Hubbard	Chair	South County Non-Direct Service District Representative	June 2023
Dr. Randall Haggard	Vice Chair	Santa Ynez Valley Special Education Consortium Non-Direct Service District Representative	June 2022
Ms. Amy Alzina	Clerk	North and South County Direct Service District Representative	June 2023
Dr. Holly Edds	Member	North County Non-Direct Service District Representative	June 2022
Mr. Antonio Garcia	Member	9 th – 12th Grade High School Representative	June 2022
Ms. Hilda Maldonado	Member	South County Non-Direct Service District Representative	June 2022
Dr. Emilio Handall	Member	North County Non-Direct Service District Representative	June 2023
Dr. Susan Salcido	Member	Santa Barbara County Schools Representative	N/A

Administration

Dr. Ray Avila	Executive Director
Ms. Jennifer Connolly	Coordinator

Santa Barbara County Special Education Local Plan Area
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2022

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

	General Fund	Special Education Pass-Through Fund
	<u> </u>	<u> </u>
Fund Balance		
Balance, June 30, 2022, Unaudited Actuals	\$ 4,091,907	\$ -
Decrease in		
Cash in county treasury, fair market valuation	(151,819)	-
Receivables	547,156	2,882,420
Accounts payable	<u>-</u>	<u>(2,882,420)</u>
Balance, June 30, 2022, Audited Financial Statements	<u><u>\$ 4,487,244</u></u>	<u><u>\$ -</u></u>

Santa Barbara County Special Education Local Plan Area
Schedule of Financial Trends and Analysis
Year Ended June 30, 2022

	(Budget) 2023 ¹	2022	2021 ¹	2020 ¹
General Fund				
Revenues	\$ 5,668,099	\$ 7,200,595	\$ 6,764,424	\$ 6,650,469
Expenditures	(5,577,361)	(7,067,092)	(6,416,923)	(5,995,912)
Increase in Fund Balance	90,738	133,503	347,501	654,557
Ending Fund Balance	\$ 4,577,982	\$ 4,487,244	\$ 4,353,741	\$ 4,006,240
Available Reserves ²	\$ 245,825	\$ 83,505	\$ 143,624	\$ 169,155
Available Reserves as a Percentage of Total Outgo	4.41%	1.18%	2.24%	2.82%
Long-Term Liabilities including Pensions, as restated	N/A	\$ 934,715	\$ 1,729,765	\$ 1,195,555

The General Fund balance has increased by \$481,004 over the past two years. The fiscal year 2022-2023 budget projects an increase of \$90,738 (2.0%).

The SELPA has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2022-2023 fiscal year. Total long-term liabilities have decreased by \$260,840 over the past two years.

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

² Available reserves consist of unassigned fund balances in the General Fund.

Note 1 - Purpose of Schedules**Schedule of Expenditures of Federal Awards (SEFA)**Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Santa Barbara County Special Education Local Plan Area (the SELPA) under programs of the federal government for the year ended June 30, 2022. 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 SELPA, it is not intended to and does not present the financial position or changes in fund balance of the SELPA.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The SELPA does not draw for indirect administrative expenses and has not elected to use the ten percent de minimis cost rate.

Local Education Agency Organization Structure

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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



Independent Auditor's Reports
June 30, 2022

Santa Barbara County Special Education Local Plan Area



**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 Governing Board
Santa Barbara County Special Education Local Plan Area
Goleta, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Santa Barbara County Special Education Local Plan Area (the SELPA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the SELPA's basic financial statements and have issued our report thereon dated December 15, 2022.

Adoption of New Accounting Standard

As discussed in Notes 1 and 12 to the financial statements, the SELPA has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. 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 SELPA'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 SELPA's internal control. Accordingly, we do not express an opinion on the effectiveness of the SELPA's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Financial Statement Findings as item 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SELPA'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*.

The SELPA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Santa Barbara County Special Education Local Plan Area's response to the findings identified in our audit and described in the accompanying Schedule of Financial Statement Findings. Santa Barbara County Special Education Local Plan Area's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SELPA'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 SELPA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California
December 15, 2022



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

To the Governing Board
 Santa Barbara County Special Education Local Plan Area
 Goleta, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, the SELPA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the SELPA'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 SELPA's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the SELPA'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 SELPA'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 SELPA's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such

that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

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

Rancho Cucamonga, California
December 15, 2022



Schedule of Findings and Questioned Costs
June 30, 2022

Santa Barbara County Special Education Local Plan Area

Santa Barbara County Special Education Local Plan Area

Summary of Auditor's Results

Year Ended June 30, 2022

Financial Statements

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

Federal Awards

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

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing/ Federal CFDA Number</u>
Special Education (IDEA) Cluster	84.027, 84.173, 84.173A
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Santa Barbara County Special Education Local Plan Area

Financial Statement Findings

Year Ended June 30, 2022

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

Five Digit Code

AB 3627 Finding Type

30000

Internal Control

2022-001 60000 – Internal Control Weakness

Criteria or Specific Requirements

Management is responsible for the design, implementation and maintenance of internal controls to ensure that financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of the year-end closing entries necessary to ensure the financial statements are fairly stated. The SELPA should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

During course of our engagement, we identified material misstatements of balances within the SELPA's 2021-2022 unaudited actuals financial report. Through review of supporting records, we note that the General Fund's Cash in County Treasury balance was overstated by \$151,819 and the receivable balance was understated by \$547,156. In addition, both the receivable and the accounts payable balances in the Special Education Pass-Through Fund were understated by \$2,882,420.

Questioned costs

There were no questioned costs associated with the identified condition.

Context

The conditions were identified through review of available SELPA records related to the financial account balances in the General Fund and the Special Education Pass-Through Fund and inquiry with SELPA staff.

Effect

Due to the conditions identified, the General Fund's ending fund balance has been understated by \$395,337. The ending fund balance in the Special Education Pass-Through Fund is unchanged. However, revenues, outgo, receivable, and accounts payable were understated by \$2,882,240.

Santa Barbara County Special Education Local Plan Area

Financial Statement Findings

Year Ended June 30, 2022

Cause

The SELPA's internal control and review system was not able to detect the misstatements to the financial statements.

Repeat Finding

No

Recommendation

Corrective Action Plan and Views of Responsible Officials

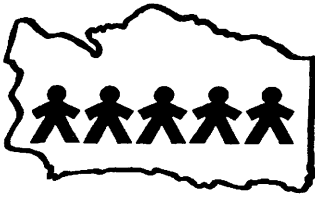
The SELPA Chief Business Official agrees with the findings and is responsible for accruing all receivables and payables accurately, and year end closing journal entries. The need for a fair market value adjustment journal entry to adjust the General Fund's Cash in County Treasury and accrual for state apportionment has been added to the SELPA year-end-close checklist so it will not be missed in the future. The SELPA Chief Business Official will work with Santa Barbara County Education Office School Business Advisory Services to ensure appropriate adjustments are made in the future.

Santa Barbara County Special Education Local Plan Area
Federal Awards Findings and Questioned Costs
Year Ended June 30, 2022

None reported.

Santa Barbara County Special Education Local Plan Area
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

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



Santa Barbara County
Special Education Local Plan Area
A Joint Powers Agency

Date: January 9, 2023

To: SBCSELPA JPA Board

From: Ray Avila, SBCSELPA Executive Director

Re: Resolution 22-23-10 Recognizing a State of Emergency and Authorizing Teleconferenced Meetings

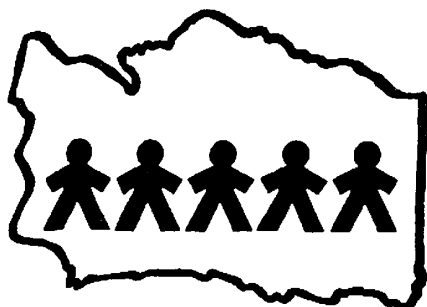
BACKGROUND:

- The SBCSELPA JPA Board meeting dates align with the 2022-23 Superintendents' Meeting schedule. This includes following how the Superintendents meetings are being held, virtual or in person.
- The adopted 22-23 meeting schedule has the following meeting dates scheduled to be held in-person: December 5, 2022, March 6, 2023, and June 5, 2023, at the Jonata Middle School Library in Buellton.
- Due to the COVID-19 pandemic, Governor Newsom adopted a series of Executive Orders allowing the legislative bodies of local governments to meet remotely via teleconference if other provisions of the Ralph M. Brown Act ("Brown Act") were followed they would not be considered in violation of the Brown Act.
- Additionally, on September 16, 2021, Governor Newsome signed AB 361, which immediately amended the Brown Act allowing governing boards to continue holding virtual meetings outside the teleconferencing requirements of Government Code section 54953(b), if the board makes a finding that there is a proclaimed State of Emergency, and either (1) state or local officials have imposed or recommended social distancing measures, or (2) meeting in person would present imminent risks to the health or safety of attendees due to the emergency. Governor Newsom declared a statewide emergency due to COVID-19 on March 2020, and social distancing measures have been recommended by the SBCPHD to mitigate the spread of COVID-19.
- According to the 2022-23 meeting schedule that was adopted by the JPA Board on June 6, 2022, the February 6, 2023, SBCSELPA JPA Board regular meeting is planned to be held virtually. In accordance with the Brown Act and the current resolution requirement that must be approved within 30 days of a virtual meeting, Resolution 22-23-10 is being presented to authorize a virtual meeting on February 6, 2023.

FISCAL IMPACT: None.

RECOMMENDATION: The JPA Board approve Resolution 22-23-10 Authorizing the February 6, 2023 JPA Board Regular to be held virtually as presented.

RA:lm



Santa Barbara County
Special Education Local Plan Area
A Joint Powers Agency

Resolution 22-23-10
Recognizing a State of Emergency and
Authorizing Teleconferenced Meetings

WHEREAS, in response to the novel coronavirus (“COVID-19”) pandemic, Governor Newsom adopted a series of Executive Orders allowing the legislative bodies of local governments to meet remotely via teleconference so long as other provisions of the Ralph M. Brown Act (“Brown Act”) were followed; and

WHEREAS, on September 16, 2021, Governor Newsom signed AB 361, which immediately amended the Brown Act allowing governing boards to continue holding virtual meetings outside the teleconferencing requirements of Government Code section 54953(b), if the board makes a finding that there is a proclaimed State of Emergency, and either (1) state or local officials have imposed or recommended social distancing measures, or (2) meeting in person would present imminent risks to the health or safety of attendees due to the emergency; and

WHEREAS, on March 4, 2020, Governor Newsom declared a statewide emergency arising from COVID-19 pursuant to Government Code section 8625; and

WHEREAS, social distancing measures have been recommended by the Santa Barbara County Public Health Department to mitigate the spread of COVID-19; and

WHEREAS, the Santa Barbara County SELPA JPA Board is committed to open and transparent governance in compliance with the Brown Act; and

WHEREAS, the Santa Barbara County SELPA JPA Board is conducting virtual meetings by way of telephonic and/or internet-based services as to allow members of the public to fully participate in meetings and offer public comment.

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NOW THEREFORE, BE IT RESOLVED, by the Santa Barbara County SELPA JPA Board:

1. The Santa Barbara County SELPA JPA Board has reconsidered the circumstances of the State of Emergency and recognizes that the State of Emergency in the State of California continues to exist due to the COVID-19 pandemic;
2. The Santa Barbara County SELPA JPA Board recognizes that social distancing measures remain recommended by state and local officials;
3. The Santa Barbara County SELPA JPA Board authorizes the use of teleconferencing for all meetings in accordance with Government Code section 54953(e) and all other applicable provisions of the Brown Act, for a period of thirty (30) days from the adoption of this resolution, or such a time that the Governing Board adopts a subsequent resolution in accordance with Government Code section 54953(e)(3).

PASSED AND ADOPTED by the Santa Barbara County SELPA JPA Board on **January 9, 2023**, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

STATE OF CALIFORNIA
COUNTY OF SANTA BARBARA

I, **Ray Avila**, Clerk/Secretary of the Governing Board, do hereby certify that the foregoing is a full and correct copy of a resolution duly passed and adopted by said Board at a regularly called and conducted meeting held on said date:

Clerk/Secretary of the JPA Governing Board

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