

REQUEST FOR PROPOSALS

To provide:

Independent Professional Auditing Services

to Audit Santa Barbara LAFCo Financial Statements for
Fiscal Year ending June 30, 2023

Response due by Friday, June 9, 2023 at 5:00 pm

Issued May 8, 2023

Contact: Mike Prater, LAFCO Executive Officer
Santa Barbara Local Agency Formation Commission
105 E. Anapamu St. Rm 407
Santa Barbara, CA 93101
805.568.3391
lafco@sblafco.org
www.sblafco.org

REQUEST FOR PROPOSALS FOR AUDIT SERVICES

1. General Information

The Santa Barbara Agency Formation Commission (SBLAFCO) is seeking a qualified independent Certified Public Accounting firms to audit LAFCOs' financial statements for the fiscal year ending on June 30, 2023 with an option to extend the contract to the fiscal years ending in June 30, 2024 and/or June 30, 2025.

The audits are to be conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. To be considered, a proposal must be received by Mike Prater, Executive Officer, Santa Barbara Local Agency Formation Commission, 105 East Anapamu Street, Rm 407, Santa Barbara, CA 93101, on or before June 9, 2023 (5:00 p.m.).

During the evaluation process, LAFCO reserves the right to request additional information or clarifications from responders, or to allow corrections of errors or omissions. Firms submitting proposals may be requested to make oral presentations as part of the evaluation process. Submission of a proposal is acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between LAFCO and the firm selected. It is anticipated the selection of a firm would be completed by the end of August, 2023.

Following the notification of the selected firm, it is expected a contract will be executed between all parties by October, 2023. A one-year contract with a two-year extension option is contemplated. The two-year renewal option will be subject to review by LAFCO and the firm and satisfactory negotiation of terms (including a cost acceptable to LAFCO and the selected firm). There is no expressed or implied obligation for LAFCO to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

2. Background on LAFCOs

Following the end of World War II, California entered a new era of demographic growth and diversity and economic development. With this growth came the need for housing, jobs and public services. To provide for these services, California experienced a wave of newly formed cities and special districts, but with little forethought as to how the new agencies should plan for services. The lack of coordination and adequate planning for future governance led to a multitude of overlapping, inefficient jurisdictional and service boundaries.

In 1963, the State Legislature created Local Agency Formation Commissions (LAFCOs) to help direct and coordinate California's growth in a logical, efficient, and orderly manner. Each county within California is required to have a LAFCO. LAFCOs are charged with the responsibility of making difficult decisions, based on local circumstances and conditions, on proposals for: incorporating a new city and forming a special district's, determining a sphere of influence, annexations to jurisdictions and other changes of

organizations. Each LAFCO operates independently from one another in terms of funding, day-to-day operations and staffing; however, most LAFCOs collaborate with one another on important business matters that do not directly impact their core operations, such as staff development, education and training.

Santa Barbara LAFCO Background and Budget

Santa Barbara LAFCO is a eleven-member commission, consisting of the following: Two members from the Santa Barbara County Board of Supervisors, two members from city councils, two members from special district boards of directors and one member from the public at large. Each category has an alternate Commissioner who serves in the absence of the regular member. SBLAFCO staff consists of a full-time (1.0 FTE) Executive Officer and 1.0 FTE Analyst/Clerk. The Commission contracts for independent legal services.

Santa Barbara LAFCO is funded by the County, the eight cities and 38 independent special districts, with each governmental category contributing a third of LAFCO's approved budget. The city and district shares are pro-rated based on general revenues reported to the State Controller's Office on an annual basis. These revenues are found in the latest annual report released by the State Controller's office. LAFCO also receives revenue through application fees and interest earnings. There are two other sources of revenue to LAFCO in addition to the agency contributions: fees for processing an application and interest revenue. The County of Santa Barbara Auditor's Office provides, financial management services to the treasury and accounts payable services.

LAFCO is an independent agency that approves its budget on an annual basis. The operating budget is comprised of salaries and benefits/taxes, services and supplies, and revenues. Day-to-day management of the budget is based on "bottom-line" principles that allow for variation within line-item accounts as long as the overall balance remains within the approved budgeted levels. The LAFCO Executive Officer serves as the budget administrator and prepares, submits, distributes, and executes the LAFCO budget consistent with State law. The Executive Officer submits to the Commission quarterly budget reports and a final report at the end of the fiscal year. These reports are submitted to the County Auditor for review.

LAFCO staff prepares draw warrants and journal entries for each expenditure and deposit. These are entered in the County's financial system (Workday). General Accounting services include the use of the County's centralized accounting system and the validation, processing, and recording of financial transactions submitted by LAFCO. LAFCO has access to the general ledger, revenue, expenditure, and budget status reports as needed. Services also include processing, recording, tracking and mailing of expenditures.

SBLAFCO operates under a single-program government fund with an annual budget of approximately \$572,000. The Budget is considered and adopted by LAFCO each year as required by the Cortese-Knox-Hertzberg Act.

3. Scope of the Work to Be Performed

LAFCO desires that General Purpose Financial Statements (GPFS) will be prepared by an independent auditor for the fiscal year ending June 30, 2023, with the option to extend the contract to June 30, 2024 and June 30, 2025. Statements should be fully compliant for all applicable Government Accounting Standards Board (GASB) statements and requirements, including but not limited to #34, #45, #67 and #68. The following is a summary of the scope of the audit.

1. The firm will audit LAFCo for fiscal year 2022-23, focusing on the fiscal years' respective funds. The audit is to be performed in accordance with generally accepted auditing standards and the standards set for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, as well as any other current and applicable federal, state, local or programmatic audit requirements.
2. The audit will cover both Government-Wide Financial Statements and Fund Financial Statements of LAFCO and supporting documentation and schedules for the fiscal year 2023.
3. The audit firm will also apply limited audit procedures to Management's Discussion and Analysis (MD&A), if applicable, and may request supplementary financial information.
4. The audit firm will issue a separate Management Letter that includes recommendations, if any, for improvements in internal control that are considered to be significant deficiencies or material weaknesses.
5. After completing the audit for FY ending June 30, 2023, the audit firm will provide quotes to conduct an audit on an annual basis for the subsequent two cycles.

LAFCO staff will provide cooperation and assistance during the audit including typing of confirmation requests, compiling and refilling of supporting documents and reconciliations of major asset and liability balances. LAFCO staff may prepare the MD&A. All other information and financial statements are the responsibility of the audit firm. All working papers and reports are to be retained at the auditor's expense for a minimum of three years. The audit firm will be responsible for making working papers available to LAFCO or any government agencies included in the audit of federal grants.

4. Audit Process and Deliverables

Preparation of the report will include the following steps:

1. Data collection: including but not limited to soliciting LAFCo staff and the Santa Barbara County Auditor's Office for information, research of existing information, and retrieving documents as needed.
2. Review, interpretation and analysis: review and analysis of all the information collected.
3. Produce Administrative Draft financial statements for LAFCo staff review (electronic PDF and Word version).

4. Preparation of final draft addressing comments from LAFCo staff, including findings, determinations and recommendations (electronic PDF and Word versions). Attendance at the Commission meeting(s) approving the final financial statement is required.
5. Following Commission approval of the financial statements, please provide LAFCo with a final electronic version (both PDF and Word versions).
6. All working papers and reports are to be retained at the auditor's expense for a minimum of four (4) years. The audit firm shall make working papers available to LAFCo on request.

Content of Proposal

The proposal shall be specifically responsive to this request and shall include, but not necessarily be limited to, the following:

General Information

- Provide name and address of your firm, the date of its establishment, and a brief description of its size and history.
- Describe the education, experience and professional achievements of the person(s) who would be assigned to work on the LAFCo account.

Experience

- Describe your firm's experience with the accounting requirements of local governmental agencies, especially any engaged primarily in regulatory activity.
- Provide a list of public agencies that can be contacted for references; include the agency's name, the name of an official to be contacted, and the appropriate phone number.
- Include a copy of your firm's most recent peer review together with the California Society of CPAs' acceptance of such peer review.
- The auditing firm shall make a positive statement that it has the required insurance policies in force in amounts of coverage for not less than \$1,000,000 for Professional Liability, Workers Compensation, Comprehensive General Liability and Auto (Owned and Non-Owned). Prior to any commencement of audit services, the selected firm will be required to provide certificates of insurance coverage to LAFCo.
- Include any additional information about your firm or staff which you feel would assist LAFCo in evaluating your experiences, resources, and competence. Comments should be brief and to the point, not exceeding two pages.

Work Plan

- Discuss in detail how the requested work would be performed, including estimates of the time required for incremental tasks, explanation of staffing levels, description of methods and processes involved, and definition of information or resources LAFCo would need to provide.

- Specify planned commencement and completion dates, assuming award of a contract for audit of FY 2022-2023 financial records.

Compensation and Terms of Payment

- For each year of the contract, state an inclusive price and estimated total hours for the tasks to be performed.
- Any fees or costs not included in the price must be stipulated for LAFCo's explicit approval.
- Unless otherwise specified and agreed in writing, payments for each annual audit shall be made within thirty days following delivery of all copies of the final audit report, presentation of the audit at a Commission meeting, and submission of an invoice.
- LAFCo normally uses a standard form of agreement for such engagements, which is available for review upon request.

Proposal deadline is Friday, June 9, 2023, at 5:00 pm.

5. Evaluation Process and Criteria

LAFCo staff will conduct the initial review of proposals. LAFCO reserves the right to request additional information or clarifications from responders or to allow corrections of errors or omissions. At the discretion of the LAFCO, firms submitting proposals be invited to make oral presentations to the Commission, or Staff may recommend one proposal to the full Commission. Selection of the successful proposal will be based largely upon the firm's qualifications, the content of its proposed work plan, and total cost.

LAFCO reserves the right to retain all submitted proposals and use any ideas in a proposal regardless of whether the proposal was selected.

It is anticipated the selection of a firm will be completed before August, 2023. Following the notification of the selected firm, it is expected a contract will be executed between all parties by October, 2023. A one-year contract with an option for extending the agreement for two additional years is contemplated. The extension option will be subject to review by LAFCo and the firm and satisfactory negotiation of terms (including a price acceptable to LAFCo and the selected firm).

Criteria

Proposals will be evaluated based upon their response to the provisions of this Request for Proposal. LAFCO staff will review each proposal and evaluate the ability of each individual or firm to meet the expectations defined herein. References will be contacted. The proposals will be ranked. LAFCO may modify this evaluation process as appropriate. There is no expressed or implied obligation for LAFCO to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

Consultant Selection

The following criteria will be used to evaluate in determining the award of the contract:

1. The firm's licensing, independence with respect to LAFCO and results of most recent peer review together with the California Society of CPAs acceptance of the peer review (mandatory requirements)
2. Qualifications and Related Experience of the audit team who will serve LAFCO (Partner, Manager and Senior Auditors)
3. Prior experience of the engagement team in implementation of GASB #45, #67/68
4. Reference of local government clients
5. The thoroughness of approach to conducting the audit and demonstration of the understanding of the objectives and scope of the audit
6. Ability to complete the audit in a timely manner and to work well with LAFCO staff and SBLAFCO Commission
7. Provide clear and reasonable outline of cost estimates and past performance with staying within budget

Additional Information

Timeline:

The fieldwork and audit for Fiscal Years ending June 30, 2023, may begin after execution of a contract and after the books for the fiscal year are closed, approximately August 1, 2023. An audit plan and project schedule will be determined and agreed to by LAFCO and the selected audit firm.

Santa Barbara County Financial System:

The Santa Barbara County utilizes Workday Financial Management software.

Contract Provisions:

SBLAFCO reserves the right to reject any and all proposals, waive any irregularity in the proposals and/or to conduct negotiations with any firms, whether or not they have submitted a proposal. The Commission has a standard contract it uses for agreements that are subject to revision before execution by the parties. The standard contract is available from the Commission's staff upon request.

Signature Authority:

Certify that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with LAFCO.

Consultants:

During the preparation phases, SBLAFCO reserves the right to hire consultants as necessary, in its discretion, to represent SBLAFCO in this project.

Submittal

Any questions regarding this proposal shall be submitted in writing to lafco@sblafco.org or by calling 805-568-3391.

Proposals shall be submitted electronically to lafco@sblafco.org (preferred) or on paper to:

Santa Barbara Local Agency Formation Commission
105 East Anapamu Street, Rm 407
Santa Barbara, CA 93101

Proposal deadline: **Friday, June 9, 2023, 5:00 pm**

Exhibits

A. Fiscal Year Ending June 30, 2021, Financial Statements

**SANTA BARBARA LOCAL AGENCY
FORMATION COMMISSION
JUNE 30, 2021 AND 2020
FINANCIAL STATEMENTS**



BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
 SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 ACTUAL VS. BUDGET
 For the Year Ended June 30, 2020

TABLE OF CONTENTS

Independent Auditor's Report.....	Page
Management's Discussion and Analysis	1 - 2
Basic Financial Statements:	3 - 6
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position.....	8
Statement of Cash Flows	9
Notes to Financial Statements.....	10 - 19
Required Supplementary Information:	
Santa Barbara County Employees' Retirement System – Schedule of Santa Barbara Local Agency Formation Commission's Proportionate Share of the Net Pension Liability.....	20
Santa Barbara County Employees' Retirement System – Schedule of Santa Barbara Local Agency Formation Commission's Contributions	21
Supplementary Information:	
Supplemental Schedules of Revenues, Expenses and Changes in Net Position – Actual vs. Budget.....	22 - 23

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
Other governmental agencies	\$ 340,440	\$ 304,590	\$ (35,850)
Planning study services	40,000	26,525	(13,475)
Miscellaneous revenue	1,000	-	(1,000)
Total operating revenues	381,440	331,115	(50,325)
Operating Expenses:			
Contractual services	235,000	190,390	44,610
Cost allocations	(6,800)	(6,507)	(293)
Legal fees	50,000	48,023	1,977
Liability insurance	200	-	200
Memberships	6,500	5,971	529
Office expense	1,500	1,474	26
Payroll taxes	1,800	1,534	266
Payroll fees	1,750	939	811
Professional and special services	45,000	39,974	5,026
Professional fees	7,200	6,000	1,200
Publications and notices	1,200	1,434	(234)
Salaries and wages	15,000	12,268	2,732
Training and travel	26,000	17,403	8,597
Telephone services	400	352	48
Utilities	1,000	799	201
Total operating expenses	385,750	320,054	65,696
Income (loss) from operations	(4,310)	11,061	15,371
Non-Operating Revenue:			
Interest income	4,310	6,977	2,667
Total non-operating revenue	4,310	6,977	2,667
Change in net position	\$ -	\$ 18,038	\$ 18,038

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ACTUAL VS. BUDGET
For the Year Ended June 30, 2021



BARTLETT, PRINGLE & WOLF, LLP
 CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

**To the Members of the
 Santa Barbara Local Agency Formation Commission:**

Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Barbara Local Agency Formation Commission (the Commission) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2021 and 2020, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
Other governmental agencies	\$ 321,800	\$ 284,982	\$ (36,818)
Planning study services	35,500	10,334	(25,166)
Total operating revenues	<u>357,300</u>	<u>295,316</u>	<u>(61,984)</u>
Operating Expenses:			
Contractual services	240,000	53,371	186,629
Cost allocations	(35,000)	(34,661)	(339)
Legal fees	50,000	84,431	(34,431)
Memberships	6,500	9,137	(2,637)
Office expense	1,000	414	586
Payroll taxes	1,800	10,881	(9,081)
Professional and special services	1,800	2,072	(272)
Professional fees	45,000	40,377	4,623
Publications and notices	7,200	7,127	73
Salaries and benefits	1,700	1,411	289
Training and travel	15,000	177,270	(162,270)
Telephone services	26,000	2,120	23,880
Utilities	400	372	28
Total operating expenses	900	862	38
Income (loss) from operations	<u>362,300</u>	<u>355,184</u>	<u>7,116</u>
Non-Operating Revenue:	<u>(5,000)</u>	<u>(59,868)</u>	<u>(54,868)</u>
Interest income	5,000	(57)	(5,057)
Total non-operating revenue	<u>5,000</u>	<u>(57)</u>	<u>(5,057)</u>
Change in net position	<u>\$ -</u>	<u>\$ (59,925)</u>	<u>\$ (59,925)</u>

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6, Santa Barbara County Employees' Retirement System – Schedule of Santa Barbara Local Agency Formation Commission's Proportionate Share of the Net Pension Liability on page 20, and Santa Barbara County Employees' Retirement System – Schedule of Santa Barbara Local Agency Formation Commission's Contributions on page 21, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The Supplemental Schedules of Revenues, Expenses and Changes in Net Position - Actual vs. Budget on pages 22 and 23 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedules of Revenues, Expenses and Changes in Net Position - Actual vs. Budget are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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 Supplemental Schedules of Revenues, Expenses and Changes in Net Position - Actual vs. Budget are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Bartlett, Pingle & Wolf, LLP

Santa Barbara, California
August 11, 2022

SUPPLEMENTARY INFORMATION

**SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF SANTA BARBARA LOCAL AGENCY
FORMATION COMMISSION'S CONTRIBUTIONS
Last 10 Years***

	<u>2021</u>
Contractually required contribution (actuarially determined)	\$ 10,027
Contributions in relation to the actuarially determined contributions	\$ 10,027
Contribution deficiency (excess)	-
Covered payroll	\$ 107,356
Contributions as a percentage of covered payroll	9.34%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2020-21 were derived from the June 30, 2021 valuation report.

* Fiscal year 2021 was the 1st year of implementation, therefore only one year is shown.

**SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Santa Barbara Local Agency Formation Commission's (the Commission) annual financial report presents our analysis of the Commission's financial performance during the year ended June 30, 2021, and other significant conditions and events. This section should be read in conjunction with the financial statements, which follow.

Financial Highlights

- The Commission's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of fiscal year 2020-2021 by \$160,131.
- For the year ended June 30, 2021, the Commission's operating expenses exceeded its operating revenues by \$59,868.

Overview of Financial Statements

The financial statements provide information about the Commission, whose records are maintained by the County of Santa Barbara accounting system. The County provides treasury and investment services to the Commission.

- The Statement of Net Position provides an overview of the Commission's assets (or resources) and liabilities (or obligations).
- The Statement of Revenues, Expenses and Changes in Net Position provides information regarding the Commission's operating revenues, operating expenses, income from operations, non-operating revenue and change in net position from the beginning of the year to the end of the year.
- The Statement of Cash Flows provides information regarding the Commission's cash receipts and cash disbursements during the year. This statement differs from the statement of revenues, expenses and changes in net position because this statement accounts only for transactions that result in cash receipts or cash disbursements.
- The Required Supplemental Schedules of Proportionate Share of the Net Pension Liability and Commission's Contributions provide detailed information regarding the Commission's first year of participation in the Santa Barbara County Employees' Retirement System.
- The Supplemental Schedules of Revenues, Expenses and Changes in Net Position-Actual vs. Budget provide detailed information regarding budgeted revenues and expenses compared to actual revenues and expenses.
- The Notes to Financial Statements provide explanations of the Commission's significant accounting policies and procedures which support the financial statements.

**SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Last 10 Years*

June 30, 2021, 2020 and 2019					
	2021	2020	2019	FY 2021 to 2020 Change	FY 2020 to 2019 Change
ASSETS					
Current Assets:					
Cash	\$ 200,620	\$ 235,692	\$ 219,086	\$ (35,072)	\$ 16,606
Accounts receivable	11,909	283	283	11,626	-
Interest receivable	230	844	1,302	(614)	(458)
Total current assets	212,759	236,819	220,671	(24,060)	16,148
Total assets	212,759	236,819	220,671	(24,060)	16,148

DEFERRED OUTFLOWS OF RESOURCES

Deferred pensions	198,540	-	-	198,540	-
Total deferred outflows of resources	198,540	-	-	198,540	-

LIABILITIES

Current Liabilities:					
Current liabilities	19,623	16,763	18,653	2,860	(1,890)
Long-term liabilities	115,677	-	-	115,677	-
Total liabilities	135,300	16,763	18,653	118,537	(1,890)

DEFERRED INFLOWS OF RESOURCES

Deferred pensions	115,868	-	-	115,868	-
Total deferred inflows of resources	115,868	-	-	115,868	-

NET POSITION

Net Position:					
Unrestricted	160,131	220,056	202,018	(59,925)	18,038
Total net position	\$ 160,131	\$ 220,056	\$ 202,018	\$ (59,925)	\$ 18,038

- 4 -

	2021	
Valuation date	June 30, 2020	June 30, 2021
Measurement date	June 30, 2020	June 30, 2021
Proportion of the net pension liability	0.0245%	
Proportionate share of the net pension liability	\$ 115,677	
Covered payroll	\$ 107,356	
Proportionate share of the net pension liability as percentage of covered payroll	107.8%	
Plan fiduciary net position as a percentage of the total pension liability	89.4%	

Notes to Schedule:

* Fiscal year 2021 was the 1st year of implementation, therefore only one year is shown.

**SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The decrease in unrestricted net position is primarily due to loss from operations in the amount of \$59,868 for the year ended June 30, 2021. The increase in long-term liabilities and deferred inflows and outflows is due to the Commission's resolution to participate in Santa Barbara County Employees' Retirement System.

**Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 20, 2021, 2020 and 2019**

	2021	2020	2019	FY 2021 to 2020 Change	FY 2020 to 2019 Change
Total operating revenues	\$ 295,316	\$ 331,115	\$ 529,507	\$ (35,799)	\$ (198,392)
Total operating expenses	355,184	320,054	410,693	35,130	(90,639)
Income (loss) from operations	(59,868)	11,061	118,814	(70,929)	(107,753)
Non-operating revenue	(57)	6,977	7,832	(7,034)	(855)
Changes in net position	<u>\$ (59,925)</u>	<u>\$ 18,038</u>	<u>\$ 126,646</u>	<u>\$ (77,963)</u>	<u>\$ (108,608)</u>

The 2021 change in net position decreased from 2020 primarily due to a decrease in operating revenues, specifically in revenue from planning study services and income from other governmental agencies.

Current Assets

The Commission's assets consist of cash, accounts receivable and interest receivable.

Other than office furnishings, i.e., file cabinets, conference table and chairs, the Commission has no capital assets. Office furnishings are fully depreciated and have a net book value of zero.

The Commission's file materials consist of records of current and past boundary changes and extensions of public services, local agency spheres of influence and municipal service reviews and budgetary, administrative and procedural files.

Long-Term Debt

Long-term liabilities consist of net pension liability relating to the Commission's participation in Santa Barbara County Employees' Retirement System.

Conditions Affecting Current Financial Position

Expenditures are predicated upon the Commission's staffing costs, cost allocation fees for use of County facilities and services and operating expenses related to payment of Commissioner per diems for participating in Commission meetings and copy and mailing expenses for Commission notices of hearing, agendas and staff reports.

REQUIRED SUPPLEMENTARY INFORMATION

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
NOTES TO FINANCIAL STATEMENTS

Request for Information

This financial report is designed to provide the County and local agencies that financially support the Commission, residents, property owners and taxpayers in Santa Barbara County with a general overview of the Commission's finances and the Commission's accountability for the money it receives.

If you have any questions about this report or need additional financial information you may reach Mike Prater, Executive Officer at (805) 568-3391.

Note 5 –

Retirement Plan (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Commission's proportionate share of the net pension liability for PEPPA Plan 8, calculated using the discount rate for PEPPA Plan 8, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	For the Year Ended June 30, 2021	6.0%
1% Decrease		
Net Pension Liability	\$ 268,777	
Current Discount Rate		7.0%
Net Pension Liability	\$ 115,677	
1% Increase		8.0%
Net Pension Liability	\$ (9,541)	

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued SBCERS CAFR.

Note 6 –

Related Party Transaction

The Commission appointed their primary legal counsel as Interim Executive Officer from June 4, 2020 to November 5, 2020, to which the Commission paid Executive Officer and legal fees of approximately \$43,000 and \$10,000 during the years ended June 30, 2021 and 2020, respectively.

Note 7 –

Business Risk

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Commission operates. While it is unknown how long these conditions will last and what, if any, the financial effect will be to the Commission, the Commission could be impacted by declining revenue or significant changes in the fair value of assets if economic conditions worsen.

Note 8 –

Subsequent Events

Subsequent events have been evaluated through August 11, 2022, the date that the financial statements were available for issuance.

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 5 – Retirement Plan (Continued)

The actuarial assumptions used in the June 30, 2020, updated to the June 30, 2021 valuation, were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2016.

The long-term expected rate of return on pension plan investments (7.0 percent) 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. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized for the years ended June 30, 2021:

Asset Class	For the Year Ended June 30, 2021	
	Target Allocation	Long-Term Expected Real Rate of Return
Emerging markets equity	7%	9.25%
Developed markets non-U.S. equity	11%	7.00%
Private equity	10%	8.00%
Broad US equity	19%	5.30%
Core fixed income	17%	0.50%
Custom non-core fixed income	11%	5.10%
Custom real return	15%	5.00%
Custom real estate	10%	4.55%
Cash	0%	-0.50%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the Commission will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund’s fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
STATEMENT OF NET POSITION
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current Assets:		
Cash	\$ 200,620	\$ 235,692
Accounts receivable	11,909	283
Interest receivable	230	844
Total current assets	212,759	236,819
Total assets	212,759	236,819
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pensions	198,540	-
Total deferred outflows of resources	198,540	-
LIABILITIES		
Current Liabilities:		
Accounts payable	5,087	16,763
Salaries and benefits payable	14,536	-
Total current liabilities	19,623	16,763
Long-term liabilities:		
Net pension liability	115,677	-
Total long-term liabilities	115,677	-
Total liabilities	135,300	16,763
DEFERRED INFLOWS OF RESOURCES		
Deferred pensions	115,868	-
Total deferred inflows of resources	115,868	-
NET POSITION		
Unrestricted	160,131	220,056
Total net position	\$ 160,131	\$ 220,056

See accompanying notes

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenues:		
Other governmental agencies	\$ 284,982	\$ 304,590
Planning study services	10,334	26,525
Total operating revenues	295,316	331,115
Operating Expenses:		
Contractual services	53,371	190,390
Cost allocations	(34,661)	(6,507)
Legal fees	84,431	48,023
Memberships	9,137	5,971
Office expense	414	1,474
Payroll taxes	10,881	1,534
Payroll fees	2,072	939
Professional and special services	40,377	39,974
Professional fees	7,127	6,000
Publications and notices	1,411	1,434
Salaries and benefits	177,270	12,268
Training and travel	2,120	17,403
Telephone services	372	352
Utilities	862	799
Total operating expenses	355,184	320,054
Income (loss) from operations	(59,868)	11,061
Non-Operating Revenue:		
Investment income (loss)	(57)	6,977
Total non-operating revenue	(57)	6,977
Change in net position	(59,925)	18,038
Net position, beginning of year	220,056	202,018
Net position, end of year	\$ 160,131	\$ 220,056

See accompanying notes

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 5 – Retirement Plan (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30:	Amount
2022	\$ 18,966
2023	22,322
2024	21,940
2025	10,670
2026	-
Thereafter	-
	\$ 73,898

Actuarial Assumptions – The total pension liabilities in the June 30, 2021 actuarial measurement date were determined using the following actuarial assumptions:

	For the Year Ended June 30, 2021
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actual Cost Method	Entry Age
Actuarial Assumptions	
Administrative expenses	Plan expenses base of \$5.5 million for the fiscal year ending June 30, 2021, to be split between employees and employers based on their share of the overall contributions, with wage inflation increases of 3.00% each year.
Discount rate	7.00%
Inflation	3.00%
COLA Increases:	
Basic COLA	2.75%
Post-Retirement COLA	2.60%
Projected Salary Increase	3.00% plus merit component
Investment Rate of Return	7.00% (1)
Post-Retirement Mortality	Sex distinct 2014 CalPERS Healthy Annuitant Mortality Tables, with generational improvements using Projection Scale MP-2016

(1) Net of pension plan investment expense

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 5 – Retirement Plan (Continued)

For the Year Ended June 30, 2021	
(Measurement Date June 30, 2020)	
Proportion - June 30, 2020	0.0000%
Proportion - June 30, 2021	0.0245%
Change - Increase (Decrease)	<u>0.0245%</u>

For the years ended June 30, 2021, the Commission recognized pension expense of \$33,005.

At June 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2021
	Deferred Outflows of Resources
Pension contributions subsequent to measurement date	\$ 8,774
Differences between actual and expected experience	14,151
Changes in assumptions	3,748
Investment return	-
Changes in employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions	171,867
Net differences between projected and actual earnings on plan investments	-
	<u>\$ 198,540</u>
	<u>\$ (115,868)</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

Employer contributions of \$8,774 reported at June 30, 2021 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Receipts from customers	\$ 283,690	\$ 331,115
Payments to vendors and employees	(319,319)	(321,944)
Net cash provided (used) by operating activities	<u>(35,629)</u>	<u>9,171</u>
Cash Flows from Investing Activities:		
Interest received	557	7,435
Net cash provided by investing activities	<u>557</u>	<u>7,435</u>
Net increase (decrease) in cash	(35,072)	16,606
Cash, beginning of year	235,692	219,086
Cash, end of year	<u>\$ 200,620</u>	<u>\$ 235,692</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:		
Income (loss) from operations	\$ (59,868)	\$ 11,061
Changes in assets and liabilities:		
Accounts receivable	(11,626)	-
Accounts payable	(11,676)	(1,890)
Salaries and benefits payable	14,536	-
Net pension liability	115,677	-
Deferred outflows	(198,540)	-
Deferred inflows	115,868	-
Net cash provided (used) by operating activities	<u>\$ (35,629)</u>	<u>\$ 9,171</u>

See accompanying notes

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of Organization

The Santa Barbara Local Agency Formation Commission (the Commission) is an independent agency created in 1963, by the legislature in Santa Barbara County. The Commission works closely with citizens, the county, cities and special districts on a variety of issues concerning the organization of local governments, jurisdiction changes, and public services. The Commission's statutory purpose includes discouraging urban sprawl, preserving agricultural land, and encouraging orderly boundaries based upon local circumstances and conditions, and promoting adequate public services. From its creation in 1963 to June 30, 2001, the County of Santa Barbara funded the Commission. Beginning July 1, 2001, the *Coriase/Knox/Hertzberg Local Reorganization Act* redefined the Commission's responsibilities and established a new funding method and process. The Commission, after accounting for charges and services is now funded in equal thirds by (1) the County of Santa Barbara, (2) the cities and (3) the independent special districts in Santa Barbara. The Commission adopts its annual budget by June 15 of each year and transmits it to each of the member organizations.

Note 2 – Summary of Significant Accounting Policies

A) Basis for Accounting and Measurement Focus

The Commission reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Commission is that the costs of operating on a continuing basis be financed or recovered primarily through revenues generated by the Commission.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

An enterprise fund is accounted for on the "flow of economic resources" measurement focus. This means that all assets and liabilities, whether current or long term, are included on the balance sheet. Revenues and expenses are recognized on the accrual basis, as such revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of the timing of related cash flows.

B) Cash

For purposes of reporting in the statement of cash flows, the Commission considers all cash accounts with original maturity of three months or less to be cash equivalents.

C) Member Allocations

All member organizations are required to pay an allocation of costs of the annual Commission's budget.

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 5 – Retirement Plan (Continued)

Contributions – Per Article 16 of the Constitution of the State of California, contribution requirements of the active employees and the participating employers are established and may be amended by the SBCERS Board of Retirement. Depending upon the applicable plan, employees are required to contribute a certain percent of their annual pay. The Commission's contractually required contribution rate for the year ended June 30, 2021, was a specified percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Additional amounts required to finance any unfunded accrued liability are the responsibility of the plan sponsors. Active members are plan members who are currently accruing benefits and/or paying contributions into the applicable plan.

The employer and employee contribution rates in effect at June 30, 2021 (measurement date June 30, 2021), are summarized as follows:

	<u>PEPRA Plan 8</u>
Hire date	On or after January 1, 2013
Benefit formula	2% @ 62
Benefit vesting schedule	5 years of service
Benefit payments	monthly for life
Retirement age	52-67
Monthly benefits, as a % of eligible compensation	0.0100% to 0.0250%
Required employee contribution rates	8.43% - 9.34%
Required employer contribution rates	8.42% - 9.34%

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

As of June 30, 2021, Santa Barbara Local Agency Formation Commission reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>June 30, 2021</u>
Net Pension Liability	\$ 115,677

For the year ended June 30, 2021, the net pension liability of all of the Plans is measured as of June 30, 2021, and the total pension liability for all Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, updated to June 30, 2020.

The Commission's proportion of the net pension liability was based on a projection of their long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Commission's proportionate share of the net pension liability for PEPRA Plan 8 with actuarial valuation dates of June 30, 2021 (measurement dates June 30, 2020) were as follows:

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 5 – Retirement Plan

General Information about the Pension Plan

Plan Descriptions – The Commission is a member of Santa Barbara County’s cost sharing multiple-employer defined benefit pension plan, which is administered by the Santa Barbara County Employees’ Retirement System (Retirement System). On October 28, 2021, the Commission approved and adopted Resolution No. 2020-7, allowing employees of the Commission to join the Santa Barbara County Employees’ Retirement System. The Retirement System was organized under the provision of the 1937 County Employees Retirement Act on January 1, 1944.

The Commission currently participates in PEPPRA Plan 8 for employees who started on or after January 1, 2013. All plans provide benefits as defined by law upon retirement, death or disability of members based upon a combination of age, years of service, final average salary (generally the 12 highest paid consecutive months), and the benefit options selected. Cost-of-living adjustments after retirement are provided in these plans.

Fiduciary Responsibility – The Retirement System is controlled by its own Retirement Board, which acts as a fiduciary agent for the accounting and control of the member and employee contributions and investment income. The Retirement System issues its own Comprehensive Annual Financial Report which includes note disclosures and required supplementary information for the pension plan. This may be obtained online at www.sbcers.org or by writing to the Santa Barbara County Employees’ Retirement System at 3916 State Street, Suite 210, Santa Barbara, CA 93105.

Benefits Provided – All pension plans provide benefits, in accordance with CERL regulations, upon retirement, disability or death of members. Retirement benefits are based on years of service, final average compensation, and retirement age. Employees terminating before accruing 5 years of retirement service credit (5 year vesting) forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within the prescribed time period. Non-vested employees who terminate service are entitled to withdraw their accumulated contributions plus accrued interest. Employees who terminate service after earning 5 years of retirement service credit may leave their contributions on deposit and elect to take a deferred retirement. Differences between expected or actual experience for vested and non-vested benefits may result in an increase or decrease to pension expense and net pension liability.

Service related disability benefits are based upon final average compensation or retirement benefits (if eligible). Non-service related disability benefits are based on 1) years of service and final average compensation or 2) retirement benefits (if eligible). Death benefits are based upon a variety of factors including whether the participant was retired or not. Annual cost-of-living adjustments (COLAs) after retirement are provided in all plans. COLAs are granted to eligible retired members each April based upon the Bureau of Labor Statistics Average Consumer Price Index (CPI) for All Urban Consumers for the Los Angeles-Riverside-Orange County area as of the preceding January 1 and is subject to an annual maximum dependent upon the provisions of the plans.

Specific details for the retirement, disability or death benefit calculations and COLA maximums for each of the pension plans are available in the separately issued SBCERS’ Comprehensive Annual Financial Report (CAFR).

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (Continued)

D) Use of Estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

E) Net Position

Net position represents the difference between assets and liabilities and is classified into three components as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.

Restricted – This component of net position consists of assets which are legally restricted by outside parties for use for a specific purpose.

Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”. Dedicated net position represents unrestricted assets which are segregated by the Board of Directors for specific future uses.

All of the Commission’s net position is unrestricted. Board designated funds for contingency fund reserves are included in unrestricted net position as of June 30, 2021 and 2020 in the amount of \$200,000 and \$200,000, respectively.

F) 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 Commission’s proportionate share of the Santa Barbara County Employees’ Retirement System (Retirement System) plan (Plan) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the Retirement System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 3 – Cash

The Commission maintains all of its cash in the Santa Barbara County Treasury. The County Treasurer pools and invests the Commission's cash with other funds under its control. Interest earned on pooled investments is apportioned quarterly into participating funds based upon each fund's average daily balance.

A summary of cash as reported on the statement of net position and statement of cash flows, respectively, at June 30, 2021 and 2020 is as follows:

	2021	2020
Cash with the County Treasurer	\$ 200,620	\$ 235,692
Total cash	\$ 200,620	\$ 235,692

Investment Authorized by the California Government Code and the Entity's Investment Policy

The Commission's investment policy only authorizes investment in the local government investment pool administered by the County of Santa Barbara. The Commission's investment policy does not contain any specific provisions intended to limit the Commission's exposure to interest rate risk, credit risk, and concentration of credit risk.

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.

Custodial Credit Risk

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Santa Barbara County Investment Pool).

Credit Risk

Generally, 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. Presented below is the minimum rating required by (where applicable) the California Government Code and the Commission's investment policy, and the actual rating as of the year end for each investment type.

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 3 – Cash (Continued)

	2021		2020		
Investment Type	Amount	Minimum Legal Rating	Amount	Exempt From Disclosure	Rating as of Year End
Santa Barbara County Investment Pool	\$ 200,620	N/A	\$ 200,620	\$ 200,620	AAA
Total	\$ 200,620		\$ 200,620		AA
Investment Type	Amount	Minimum Legal Rating	Amount	Exempt From Disclosure	Rating as of Year End
Santa Barbara County Investment Pool	\$ 235,692	N/A	\$ 235,692	\$ 235,692	AAA
Total	\$ 235,692		\$ 235,692		AA

Concentration of Credit Risk

The investment policy of the Commission contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. All of the Commission's cash is held in the Santa Barbara County Investment Pool.

Investment in Santa Barbara County Investment Pool

The Commission is a participant in the Santa Barbara County Investment Pool that is regulated by the California Government Code. The fair value of the Commission's investment in this pool is reported in the accompanying financial statements at the amounts based upon the Commission's pro-rata share of the fair value provided by the Santa Barbara County Investment Pool for the entire Santa Barbara County Investment Pool portfolio. The balance available for withdrawal is based on the accounting records maintained by the Santa Barbara Investment Pool.

Note 4 – Deferred Compensation Plan

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to the Executive Officer, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Commission matches the employee's contribution of an amount equal to \$347.34 of each participant's salary reduction contributions. Total employer contributions for the plan during the year ended June 30, 2021 was \$2,084.