

LAFCO

Santa Barbara Local Agency Formation Commission
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April 4, 2024 (Agenda)

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

Review of Financial Statements for Fiscal Year Ending June 30, 2022

Dear Members of the Commission

RECOMMENDATION

It is recommended that the Commission receive and file the Financial Statements for the Fiscal Year ending June 30, 2022 that is included in this report.

DISCUSSION

The firm of Bartlett, Pringle and Wolf, LLP has completed a review of the Commission's financial records and prepared the attached (**Attachment A**).

The firm concludes that the financial statements "present fairly, in all material respects, the financial position of the Commission as of June 30, 2022, 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."

The attached report summarizes certain matters required by professional standards to be communicated to the Commission in your oversight responsibility for Santa Barbara LAFCO's financial reporting process. The full report is posted on the Commission's website (www.sblafco.org), and is available for review at the office located at, 105 East Anapamu Street,

Ms. Tracey Solomon, Partner, Bartlett, Pringle and Wolf, LLP, will be present at the meeting to review the document and answer any questions.

Attachments

Attachment A – Independent Audit's Report for Fiscal Years ending in 2022

Please contact the LAFCO office if you have any questions.

Sincerely,



Mike Prater
Executive Officer

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SANTA BARBARA LOCAL AGENCY
FORMATION COMMISSION
JUNE 30, 2022 AND 2021
FINANCIAL STATEMENTS



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

ATTACHMENT A

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Commission'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 opinion. 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 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 Commission'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7, Santa Barbara County Employees' Retirement System – Schedule of Santa Barbara Local Agency Formation Commission's Proportionate Share of the Net Pension Liability on page 22, and Santa Barbara County Employees' Retirement System – Schedule of Santa Barbara Local Agency Formation Commission's Contributions on page 23, 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 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 24 and 25 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 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.

Santa Barbara, California
April 4, 2024

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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, 2022, 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 2021-2022 by \$190,015.
- For the year ended June 30, 2022, the Commission's operating revenues exceeded its operating expenses by \$36,145.

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. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows.
- 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 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.

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

June 30, 2022, 2021 and 2020

	2022	2021	2020	FY 2022 to 2021 Change	FY 2021 to 2020 Change
<u>ASSETS</u>					
Current Assets:					
Cash	\$ 243,279	\$ 200,620	\$ 235,692	\$ 42,659	\$ (35,072)
Accounts receivable	283	11,909	283	(11,626)	11,626
Interest receivable	438	230	844	208	(614)
Total current assets	244,000	212,759	236,819	31,241	(24,060)
Total assets	244,000	212,759	236,819	31,241	(24,060)
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred pensions	155,660	198,540	-	(42,880)	198,540
Total deferred outflows of resources	155,660	198,540	-	(42,880)	198,540
<u>LIABILITIES</u>					
Current Liabilities:					
Current liabilities	39,797	19,623	16,763	20,174	2,860
Long-term liabilities	-	115,677	-	(115,677)	115,677
Total liabilities	39,797	135,300	16,763	(95,503)	118,537
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred pensions	169,848	115,868	-	53,980	115,868
Total deferred inflows of resources	169,848	115,868	-	53,980	115,868
<u>NET POSITION</u>					
Net Position:					
Unrestricted	190,015	160,131	220,056	29,884	(59,925)
Total net position	\$ 190,015	\$ 160,131	\$ 220,056	\$ 29,884	\$ (59,925)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The increase in unrestricted net position is primarily due to income from operations in the amount of \$36,145 for the year ended June 30, 2022. The decrease in long-term liabilities and outflows and increase in deferred inflows is a result of the changes in the 2022 Santa Barbara County Employees' Retirement System June 30, 2022 valuation. As of the June 30, 2022 valuation, the Commission did not have any UAL charges since they were a new employer during fiscal year ended 2021. As a result the proportionate share of the net pension liability was zero.

**Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 20, 2022, 2021 and 2020**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>FY 2021 to 2020 Change</u>	<u>FY 2021 to 2020 Change</u>
Total operating revenues	\$ 478,420	\$ 295,316	\$ 331,115	\$ 183,104	\$ (35,799)
Total operating expenses	<u>442,275</u>	<u>355,184</u>	<u>320,054</u>	<u>87,091</u>	<u>35,130</u>
Income (loss) from operations	36,145	(59,868)	11,061	96,013	(70,929)
Non-operating revenue	<u>(6,261)</u>	<u>(57)</u>	<u>6,977</u>	<u>(6,204)</u>	<u>(7,034)</u>
Changes in net position	<u>\$ 29,884</u>	<u>\$ (59,925)</u>	<u>\$ 18,038</u>	<u>\$ 89,809</u>	<u>\$ (77,963)</u>

The 2022 change in net position increased from 2021 primarily due to an increase 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 (SBCERS). As of the June 30, 2022 SBCERS pension valuation, the Commission did not have any UAL charges and as a result the proportionate share of the net pension liability was zero.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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.

SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
STATEMENT OF NET POSITION
June 30, 2022 and 2021

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	2022	2021
ASSETS		
Current Assets:		
Cash	\$ 243,279	\$ 200,620
Accounts receivable	283	11,909
Interest receivable	438	230
Total current assets	244,000	212,759
Total assets	244,000	212,759
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pensions	155,660	198,540
Total deferred outflows of resources	155,660	198,540
LIABILITIES		
Current Liabilities:		
Accounts payable	15,194	5,087
Salaries and benefits payable	24,603	14,536
Total current liabilities	39,797	19,623
Long-term liabilities:		
Net pension liability	-	115,677
Total long-term liabilities	-	115,677
Total liabilities	39,797	135,300
DEFERRED INFLOWS OF RESOURCES		
Deferred pensions	169,848	115,868
Total deferred inflows of resources	169,848	115,868
NET POSITION		
Unrestricted	190,015	160,131
Total net position	\$ 190,015	\$ 160,131

See accompanying notes

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SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues:		
Other governmental agencies	\$ 438,000	\$ 284,982
Planning study services	40,420	10,334
	<u>478,420</u>	<u>295,316</u>
Operating Expenses:		
Contractual services	46,352	53,371
Cost allocations	14,699	(34,661)
Legal fees	51,363	84,431
Memberships	16,263	9,137
Office expense	2,194	414
Payroll taxes	17,365	10,881
Payroll fees	1,874	2,072
Professional and special services	32,884	40,377
Professional fees	11,130	7,127
Publications and notices	2,157	1,411
Salaries and benefits	241,894	177,270
Training and travel	2,752	2,120
Telephone services	399	372
Utilities	949	862
	<u>442,275</u>	<u>355,184</u>
Income (loss) from operations	<u>36,145</u>	<u>(59,868)</u>
Non-Operating Revenue:		
Investment income (loss)	<u>(6,261)</u>	<u>(57)</u>
Total non-operating revenue	<u>(6,261)</u>	<u>(57)</u>
Change in net position	29,884	(59,925)
Net position, beginning of year	<u>160,131</u>	<u>220,056</u>
Net position, end of year	<u>\$ 190,015</u>	<u>\$ 160,131</u>

See accompanying notes

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SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Receipts from customers	\$ 490,046	\$ 283,690
Payments to vendors and employees	(440,918)	(319,319)
Net cash provided (used) by operating activities	49,128	(35,629)
Cash Flows from Investing Activities:		
Investment earnings	(6,469)	557
Net cash provided by investing activities	(6,469)	557
Net increase (decrease) in cash	42,659	(35,072)
Cash, beginning of year	200,620	235,692
Cash, end of year	\$ 243,279	\$ 200,620
Reconciliation of income from operations to net cash provided (used) by operating activities:		
Income (loss) from operations	\$ 36,145	\$ (59,868)
Changes in assets and liabilities:		
Accounts receivable	11,626	(11,626)
Accounts payable	10,107	(11,676)
Salaries and benefits payable	10,067	14,536
Net pension liability	(115,677)	115,677
Deferred outflows	42,880	(198,540)
Deferred inflows	53,980	115,868
Net cash provided (used) by operating activities	\$ 49,128	\$ (35,629)

See accompanying notes

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 *Cortese/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.

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (Continued)

D) Compensated absences

The Commission offers employee paid time off benefits for vacation and sick leave.

Vacation Accrual

Regular full-time employees will accrue vacation according to continuous years of service in accordance with the below schedule, up to a maximum of 320 hours.

<u>Years of Service Completed</u>	<u>Vacation Days Accrual</u>
Up to 4 years	.0889 per hour
4 to 11 years	.101 per hour
11+ years	.112 per hour

Sick Leave Pay Out

All employees are entitled to twelve (12) days of sick leave per year and will accrue up to a maximum of ninety (90) days. Upon separation from the Commission, accrued unused sick leave up to a maximum of 300 hours shall be paid to employees with five or more years of service in accordance with the following schedule:

<u>Years of Service Completed</u>	<u>Sick Leave Pay Out</u>
5 to 10 years	20%
10 to 15 years	40%
15 to 20 years	70%
20+ years	100%

Sick leave pay will be calculated based on the employee’s last hourly rate of pay.

As of June 30, 2022 compensated absences were \$24,603, and include with salaries and benefits payable on the Statement of Net Position.

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (Continued)**E) 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.

F) 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, 2022 and 2021 in the amount of \$160,131 and \$200,000, respectively.

G) 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.

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, 2022 and 2021 is as follows:

	2022	2021
Cash with the County Treasurer	\$ 243,279	\$ 200,620
Total cash	\$ 243,279	\$ 200,620

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.

NOTES TO FINANCIAL STATEMENTS

Note 3 – Cash (Continued)

<u>2022</u>		Minimum Legal Rating	Exempt From Disclosure	<u>Rating as of Year End</u>		
<u>Investment Type</u>	<u>Amount</u>			<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
Santa Barbara County						
Investment Pool	\$ 243,279	N/A	\$ 243,279	\$ -	\$ -	\$ -
Total	<u>\$ 243,279</u>		<u>\$ 243,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2021</u>		Minimum Legal Rating	Exempt From Disclosure	<u>Rating as of Year End</u>		
<u>Investment Type</u>	<u>Amount</u>			<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
Santa Barbara County						
Investment Pool	\$ 200,620	N/A	\$ 200,620	\$ -	\$ -	\$ -
Total	<u>\$ 200,620</u>		<u>\$ 200,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 to the plan during the years ended June 30, 2022 and 2021 were \$4,168 and \$2,084, respectively.

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 PEPRA 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).

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, 2022, 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. Contributions to the pension plan were \$14,867 and \$8,774 for the years ended June 30, 2022 and 2021, respectively. 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, 2022 (measurement date June 30, 2021), are summarized as follows:

PEPRA Plan 8	2022	2021
Hire date	On or after January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 62	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	52-67	52-67
Monthly benefits, as a % of eligible compensation	0.0100% to 0.0250%	0.0100% to 0.0250%
Required employee contribution rates	8.36% - 9.63%	8.43% - 9.34%
Required employer normal contribution rates	8.36% - 9.63%	8.42% - 9.34%
Employer UAL contribution rates	24.59%	24.59%

For the year ended June 30, 2022 the Commission did not have an unfunded accrued liability.

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

As of June 30, 2022, Santa Barbara Local Agency Formation Commission reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	June 30, 2022	June 30, 2021
Net Pension Liability	\$ -	\$ 115,677

For the year ended June 30, 2022, the net pension liability of all of the Plans is measured as of June 30, 2022, 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, 2021, updated to June 30, 2022.

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, 2020, updated to June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

Note 5 – Retirement Plan (Continued)

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 and 2020 (measurement dates June 30, 2022 and 2021, respectively) were as follows:

For the Year Ended June 30, 2022 (Measurement Date June 30, 2022)		For the Year Ended June 30, 2021 (Measurement Date June 30, 2021)	
Proportion - June 30, 2021	0.0245%	Proportion - June 30, 2020	0.0000%
Proportion - June 30, 2022	0.0000%	Proportion - June 30, 2021	0.0245%
Change - Increase (Decrease)	-0.0245%	Change - Increase (Decrease)	0.0245%

For the years ended June 30, 2022 and 2021, the Commission recognized pension expense of \$2,141 and \$33,005, respectively.

At June 30, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2022		June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 14,867	\$ -	\$ 8,774	\$ -
Differences between actual and expected experience	-	-	14,151	(526)
Changes in assumptions	-	-	3,748	(2,553)
Investment return	-	-	-	(91,392)
Changes in employer’s proportion and difference between the employer’s contributions and the employer’s proportionate share of contributions	140,793	(169,848)	171,867	(21,397)
Net differences between projected and actual earnings on plan investments	-	-	-	-
	\$ 155,660	\$ (169,848)	\$ 198,540	\$ (115,868)

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 \$14,867 reported at June 30, 2022 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, 2023.

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
2023	\$ 2,141
2024	2,141
2025	2,141
2026	(35,478)
2027	-
Thereafter	-
	\$ (29,055)

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, 2022	For the Year Ended June 30, 2021
Valuation Date	June 30, 2021	June 30, 2020
Measurement Date	June 30, 2022	June 30, 2021
Actual Cost Method	Entry Age	Entry Age
Actuarial Assumptions		
Administrative expenses	Plan expenses base of \$5.6 million for the fiscal year ending June 30, 2022, to be split between employees and employers based on their share of the overall contributions, with wage inflation increases of 3.00% each year.	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%	7.00%
Inflation	3.00%	3.00%
COLA Increases:		
Basic COLA	2.75%	2.75%
Post-Retirement COLA	2.60%	2.60%
Projected Salary Increase	3.00% plus merit component	3.00% plus merit component
Investment Rate of Return	7.00% (1)	7.00% (1)
Post-Retirement Mortality	Sex distinct CalPERS Healthy Annuitant Mortality Tables, with generational improvements using Projection Scale MP-2019	Sex distinct CalPERS Healthy Annuitant Mortality Tables, with generational improvements using Projection Scale MP-2019

(1) Net of pension plan investment expense

The actuarial assumptions used in the June 30, 2021, updated to the June 30, 2022 valuation, were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2019. As a result of the June 30, 2019 actuarial experience study, no changes were made to the economic assumptions used in the previous actuarial valuation.

NOTES TO FINANCIAL STATEMENTS

Note 5 – Retirement Plan (Continued)

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, 2022:

Asset Class	For the Year Ended June 30, 2022		For the Year Ended June 30, 2021	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Emerging markets equity	7%	7.75%	7%	9.25%
Developed markets non-U.S. equity	11%	5.00%	11%	7.00%
Private equity	10%	6.50%	10%	8.00%
Broad US equity	19%	3.30%	19%	5.30%
Core fixed income	17%	0.00%	17%	0.50%
Custom non-core fixed income	11%	3.13%	11%	5.10%
Custom real return	15%	3.73%	15%	5.00%
Custom real estate	10%	4.50%	10%	4.55%
Cash	0%	-1.00%	0%	-0.50%
Total	100%		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.

NOTES TO FINANCIAL STATEMENTS

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 PEPRA Plan 8, calculated using the discount rate for PEPRA 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, 2022		For the Year Ended June 30, 2021	
1% Decrease	6.0%	1% Decrease	6.0%
Net Pension Liability	\$ -	Net Pension Liability	\$ 268,777
Current Discount Rate	7.0%	Current Discount Rate	7.0%
Net Pension Liability	\$ -	Net Pension Liability	\$ 115,677
1% Increase	8.0%	1% Increase	8.0%
Net Pension Liability	\$ -	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 \$0 and \$43,000 during the years ended June 30, 2022 and 2021, respectively.

Note 7 – Risk Management

The Commission is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Commission has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources. In addition, the Commission has an agreement with the County of Santa Barbara (the County) in which the Commission shall be included in the County’s risk pool and the County shall provide liability insurance, defense and indemnification to the Commission and its officers. There have been no claims in the last two fiscal years and there were no reductions in the Commission’s insurance coverage during the year ending June 30, 2022.

Note 8 – Subsequent Events

Subsequent events have been evaluated through April 4, 2024, the date that the financial statements were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION

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*

DRAFT

	<u>2022</u>	<u>2021</u>
Valuation date	June 30, 2021	June 30, 2020
Measurement date	June 30, 2022	June 30, 2021
Proportion of the net pension liability	0.0000%	0.0245%
Proportionate share of the net pension liability	\$ -	\$ 115,677
Covered payroll	\$ 167,800	\$ 107,356
Proportionate share of the net pension liability as percentage of covered payroll	0.0%	107.8%
Plan fiduciary net position as a percentage of the total pension liability	84.0%	89.4%

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2022 measurement date.

Net pension liability as a percentage of covered payroll demonstrates the relative size of the unfunded liability by expressing it in terms of current personnel expenditures.

* Fiscal year 2021 was the 1st year of implementation.

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>2022</u>	<u>2021</u>
Contractually required contribution (actuarially determined)	\$ 14,867	\$ 10,027
Contributions in relation to the actuarially determined contributions	\$ 14,867	\$ 10,027
Contribution deficiency (excess)	-	-
Covered payroll	\$ 167,800	\$ 107,356
Contributions as a percentage of covered payroll	8.9%	9.3%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2021-22 were derived from the June 30, 2020 valuation report.

* Fiscal year 2021 was the 1st year of implementation.

SUPPLEMENTARY INFORMATION

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, 2022

DRAFT

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating Revenues:			
Other governmental agencies	\$ 437,690	\$ 438,000	\$ 310
Planning study services	13,800	40,420	26,620
Total operating revenues	<u>451,490</u>	<u>478,420</u>	<u>26,930</u>
Operating Expenses:			
Contractual services	60,000	46,352	13,648
Cost allocations	14,300	14,699	(399)
Legal fees	50,000	51,363	(1,363)
Memberships	8,800	16,263	(7,463)
Office expense	2,250	2,194	56
Payroll taxes	19,145	17,365	1,780
Payroll fees	2,000	1,874	126
Professional and special services	40,000	32,884	7,116
Professional fees	7,200	11,130	(3,930)
Publications and notices	1,700	2,157	(457)
Salaries and benefits	217,795	241,894	(24,099)
Training and travel	13,000	2,752	10,248
Telephone services	400	399	1
Utilities	900	949	(49)
Total operating expenses	<u>437,490</u>	<u>442,275</u>	<u>(4,785)</u>
Income from operations	<u>14,000</u>	<u>36,145</u>	<u>22,145</u>
Non-Operating Revenue:			
Interest income	<u>4,000</u>	<u>(6,261)</u>	<u>(10,261)</u>
Total non-operating revenue (expense)	<u>4,000</u>	<u>(6,261)</u>	<u>(10,261)</u>
Change in net position	<u>\$ 18,000</u> *	<u>\$ 29,884</u>	<u>\$ 11,884</u>

* Estimated \$18,000 change in net position will be added to the contingency reserve.

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

DRAFT

	<u>Budget</u>	<u>Actual</u>	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)
Payroll fees	1,800	2,072	(272)
Professional and special services	45,000	40,377	4,623
Professional fees	7,200	7,127	73
Publications and notices	1,700	1,411	289
Salaries and wages	15,000	177,270	(162,270)
Training and travel	26,000	2,120	23,880
Telephone services	400	372	28
Utilities	900	862	38
Total operating expenses	<u>362,300</u>	<u>355,184</u>	<u>7,116</u>
Income (loss) from operations	<u>(5,000)</u>	<u>(59,868)</u>	<u>(54,868)</u>
Non-Operating Revenue:			
Interest income	<u>5,000</u>	<u>(57)</u>	<u>(5,057)</u>
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>