



Financial Statements  
June 30, 2020

Santa Barbara Community  
College District



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## Independent Auditor's Report

Board of Trustees  
Santa Barbara Community College District  
Santa Barbara, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Santa Barbara Community College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis on pages 4 through 19, and other required supplementary schedules on pages 72 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Rancho Cucamonga, California  
February 20, 2021

## **INTRODUCTION**

This introduction to the District-wide financial statements provides background information regarding the financial position and activities of the Santa Barbara Community College District (the District) for the years ended June 30, 2020 and 2019. We encourage readers to consider the information presented in this Management's Discussion and Analysis in conjunction with the financial statements and accompanying notes to the financial statements.

### **Overview of the District-Wide Basic Financial Statements**

The focus of the Statement of Net Position is designed to be similar to the bottom-line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities, which are supported primarily by local property taxes and State apportionment revenues. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District. The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in the District-wide financial statements.

### **This Annual Report**

This annual report consists of the following sections:

- Management's Discussion and Analysis (MD&A) utilizing a current year/prior year format;
- District-Wide Basic Financial Statements, including required Notes to the Financial Statements; and
- Supplementary Information.

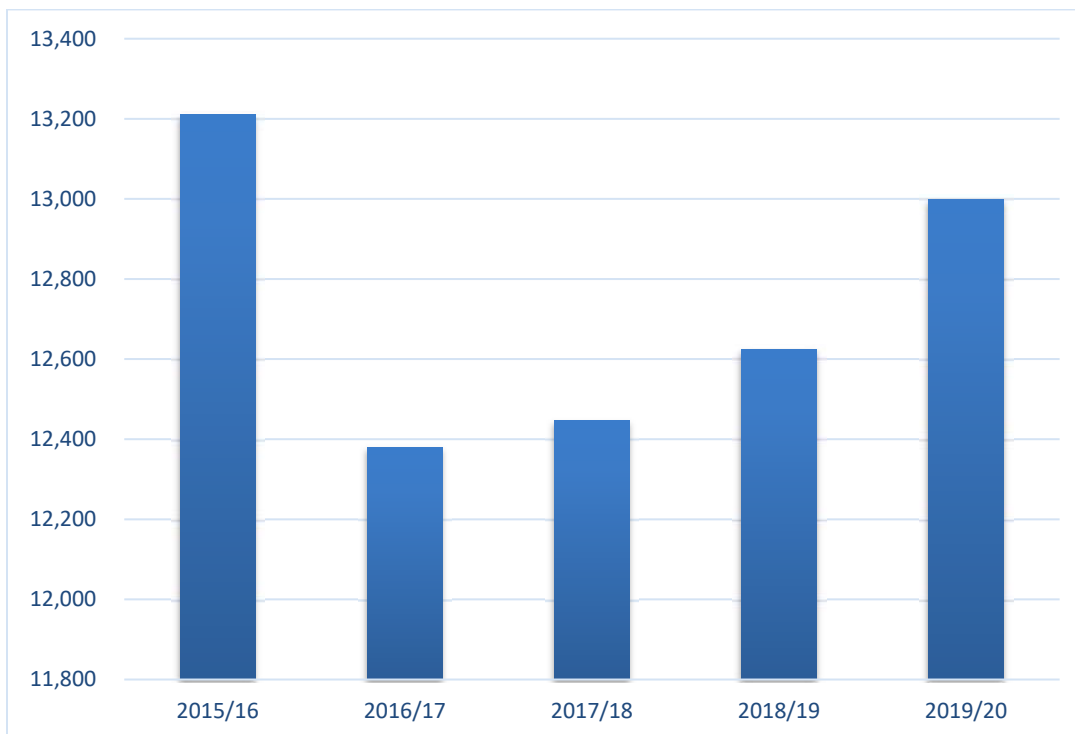
## **FINANCIAL HIGHLIGHTS**

This section provides condensed information for each of the three basic financial statements, as well as illustrative charts, graphs, and tables.

- The District's primary funding is based upon an apportionment allocation made by the State of California, Community Colleges Chancellor's Office (Chancellor's Office). In 2018-19, a new funding formula was implemented by the Chancellor's Office which modified the funding formula from relying solely on Full Time Equivalent Students (FTES) to determine funding for a district. The new funding formula, now called the Student-Centered Funding Formula (SCFF), includes three factors: the Base Funding Allocation (70 percent), a Supplemental Allocation (20 percent), and a Student Success Allocation (10 percent). Additional details are included below:
  - The Base Funding factor (70 percent) continues to be based on the FTES generated by the District.
  - The Supplemental Allocation (20 percent) is calculated based on a count of the District's Pell Grant recipients, California College Promise Grant Recipients, and AB 540 Students.

- The Student Success Allocation (10 percent) is based on the number outcomes a district achieves in the following measures:
  - Associate degrees granted
  - Associate degrees for transfer granted
  - Baccalaureate degrees granted
  - Credit certificates (16 units or more)
  - Completion of transfer-level mathematics and English courses within first academic year of enrollment
  - Successful transfer to four-year university
  - Completion of nine or more CTE units
  - Attainment of a regional living wage

As noted above, the District's reported FTES remain the District's primary source of funding (70 percent) under the SCFF. During fiscal years 2019-20 and 2018-19, the District's total resident FTES were 13,000 and 12,625, respectively. The growth in FTES was incurred across various types of enrollment, including credit, noncredit, and dual enrollment programs. The graph below depicts the District's five-year trend for FTES:



After the Chancellor's Office calculates the District's base apportionment, it reduces the net amount to be distributed by the amount of property taxes, Education Protection Act funds, and enrollment fees expected to be paid directly to the District. The matrix below lists the four components and illustrates the net effect of the actual receipts for fiscal year 2019-20 as compared to fiscal year 2018-19:

	2020	2019	Difference
Property Tax	\$ 33,938,582	\$ 31,603,413	\$ 2,335,169
Enrollment Fees	7,515,000	8,311,511	(796,511)
Apportionment	34,468,905	26,394,877	8,074,028
Education Protection Act	6,717,555	11,781,712	(5,064,157)
Total	\$ 82,640,042	\$ 78,091,513	\$ 4,548,529



**CONDENSED DISTRICT-WIDE FINANCIAL INFORMATION IS AS FOLLOWS:**

**Condensed Statement of Net Position  
as of June 30, 2020 and 2019**

	2020	2019	Change
Assets			
Current Assets			
Cash and investments	\$ 77,114,510	\$ 78,066,771	\$ (952,261)
Accounts receivable (net)	21,210,015	15,012,714	6,197,301
Other current assets	4,404,179	5,252,276	(848,097)
Total current assets	102,728,704	98,331,761	4,396,943
Capital assets (net)	145,168,714	148,797,246	(3,628,532)
Total assets	247,897,418	247,129,007	768,411
Deferred Outflows of Resources			
Deferred charges on refunding	3,069,667	3,293,527	(223,860)
Deferred outflows related to pensions and OPEB	30,202,119	29,335,672	866,447
Total deferred outflows of resources	33,271,786	32,629,199	642,587
Total assets and deferred outflows	\$ 281,169,204	\$ 279,758,206	\$ 1,410,998
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 19,420,051	\$ 16,294,869	\$ 3,125,182
Unearned revenues	33,668,233	28,164,105	5,504,128
Current portion of long-term liabilities	2,984,993	4,669,499	(1,684,506)
Total current liabilities	56,073,277	49,128,473	6,944,804
Long-Term Liabilities	187,750,301	182,315,245	5,435,056
Total liabilities	243,823,578	231,443,718	12,379,860
Deferred Inflows of Resources			
Deferred inflows related to pensions and OPEB	14,387,054	15,116,439	(729,385)
Net Position			
Net investment in capital assets	81,656,312	82,746,611	(1,090,299)
Restricted	20,544,860	21,913,970	(1,369,110)
Unrestricted deficit	(79,242,600)	(71,462,532)	(7,780,068)
Total net position	22,958,572	33,198,049	(10,239,477)
Total liabilities, deferred inflows, and net position	\$ 281,169,204	\$ 279,758,206	\$ 1,410,998

The preceding schedule has been prepared from the District's Statement of Net Position (page 19) which is presented on the accrual basis of accounting whereby assets are capitalized and depreciated. Cash and investments (above) consist primarily of funds held in the Santa Barbara County Treasury.

Current assets increased by \$4.4M while net capital assets decreased by \$3.6M. The decrease in cash and investments is due primarily to the timing of disbursements between fiscal years. The increase in short-term receivables is primarily due to deferrals of apportionment payments that the state initiated as a response to the ongoing COVID pandemic impacts on the state budget. Current liabilities increased by \$6.9M mainly due to deferred revenue for funds received for a K-12 Strong Workforce multi-year grant that began in 2019-20 and an increase in payroll liabilities related to the timing of payments made for employee health and welfare benefits. Long-term liabilities increased by \$5.4M due to the increase in the net pension liability calculated as part of the GASB Statement No. 68 actuarial report.

The deferred charge on refunding is related to the District refunding the majority of the Measure V Series A Bond during the year. As part of the refunding, there was initially a \$4.1M difference between the amount of cash transferred into the escrow account and the bonds that were being refunded. This amount will be amortized as interest expense over the remaining life of the bonds. Amortization expense for this fiscal year was \$224k. The changes in the deferred inflows and outflows related to pensions are calculated as part of the GASB Statement No. 68 implementation, and will continue to fluctuate from year to year based on the changes in actuarial valuations for the CalPERS and CalSTRS systems.

**Condensed Statement of Revenues, Expenses, and Changes in Net Position  
for the Years Ended June 30, 2020 and 2019**

	2020	2019	Change
Operating Revenues			
Tuition and fees	\$ 21,507,697	\$ 23,809,000	\$ (2,301,303)
Federal, State, and local grants and contracts, noncapital	41,562,640	35,700,988	5,861,652
Auxiliary sales and other operating revenues	5,039,257	5,792,222	(752,965)
Total operating revenues	<u>68,109,594</u>	<u>65,302,210</u>	<u>2,807,384</u>
Operating Expenses			
Salaries and benefits	114,758,068	111,314,234	3,443,834
Supplies, maintenance, and student aid	69,142,726	63,568,819	5,573,907
Depreciation	5,923,310	6,090,350	(167,040)
Total operating expenses	<u>189,824,104</u>	<u>180,973,403</u>	<u>8,850,701</u>
Operating Loss	<u>(121,714,510)</u>	<u>(115,671,193)</u>	<u>(6,043,317)</u>
Nonoperating Revenues (Expenses)			
State apportionments	42,412,913	38,176,589	4,236,324
Property taxes	38,334,377	35,757,803	2,576,574
Other state revenues	3,242,113	3,856,070	(613,957)
Federal and State financial aid grants, noncapital	25,198,646	24,442,769	755,877
Net interest expense	(1,261,833)	(1,175,743)	(86,090)
Other net nonoperating revenues	2,573,781	4,619,205	(2,045,424)
Total nonoperating revenue (expenses)	<u>110,499,997</u>	<u>105,676,693</u>	<u>4,823,304</u>
Other Revenues and (Losses)			
State and local capital revenue	975,036	414,825	560,211
Loss on disposal of capital assets	-	(273,038)	273,038
Total other revenues and (losses)	<u>975,036</u>	<u>141,787</u>	<u>833,249</u>
Net Change in Net Position	<u>\$ (10,239,477)</u>	<u>\$ (9,852,713)</u>	<u>\$ (386,764)</u>

The schedule presented above has been prepared from the Statement of Revenues, Expenses, and Changes in Net Position. State general apportionment, while budgeted for operations, is considered nonoperating revenue according to the Governmental Accounting Standards Board's (GASB) prescribed reporting format. Grant and contracts revenue includes student financial aid, as well as specific Federal and State grants received for programs serving the students of the District.

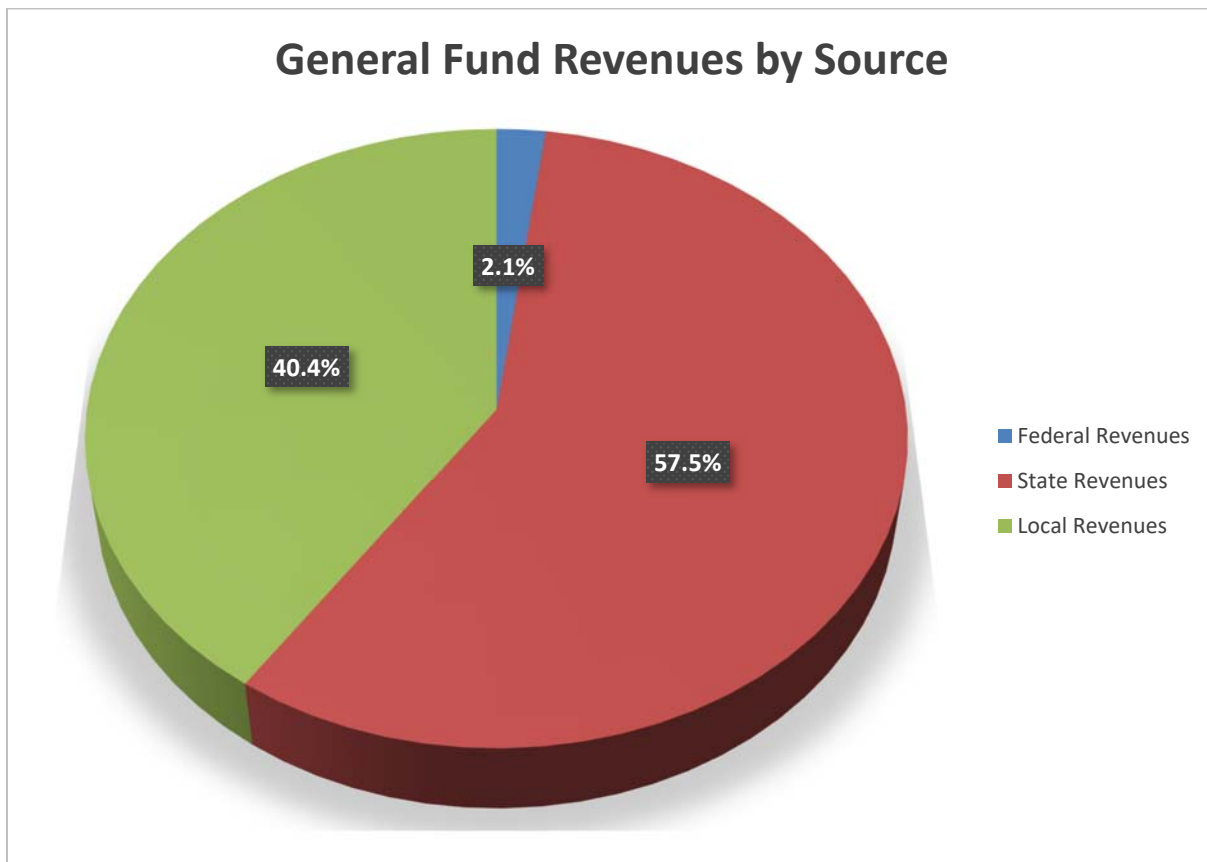
In total, operating expenses increased during 2019-20 primarily due to continuing increases to CalPERS and CalSTRS contributions and grant disbursements for a new K-12 Strong Workforce grant. While the District experienced a decline in Federal, State, and Local Grants, the District saw growth in State Apportionment revenue due to the implementation of the Student Centered Funding Formula.

## General Fund

While this Management's Discussion and Analysis and the District-wide financial statements report the financial position and results of operations for the District as a whole, the following pie charts are intended to give the reader information specific to the General Fund.

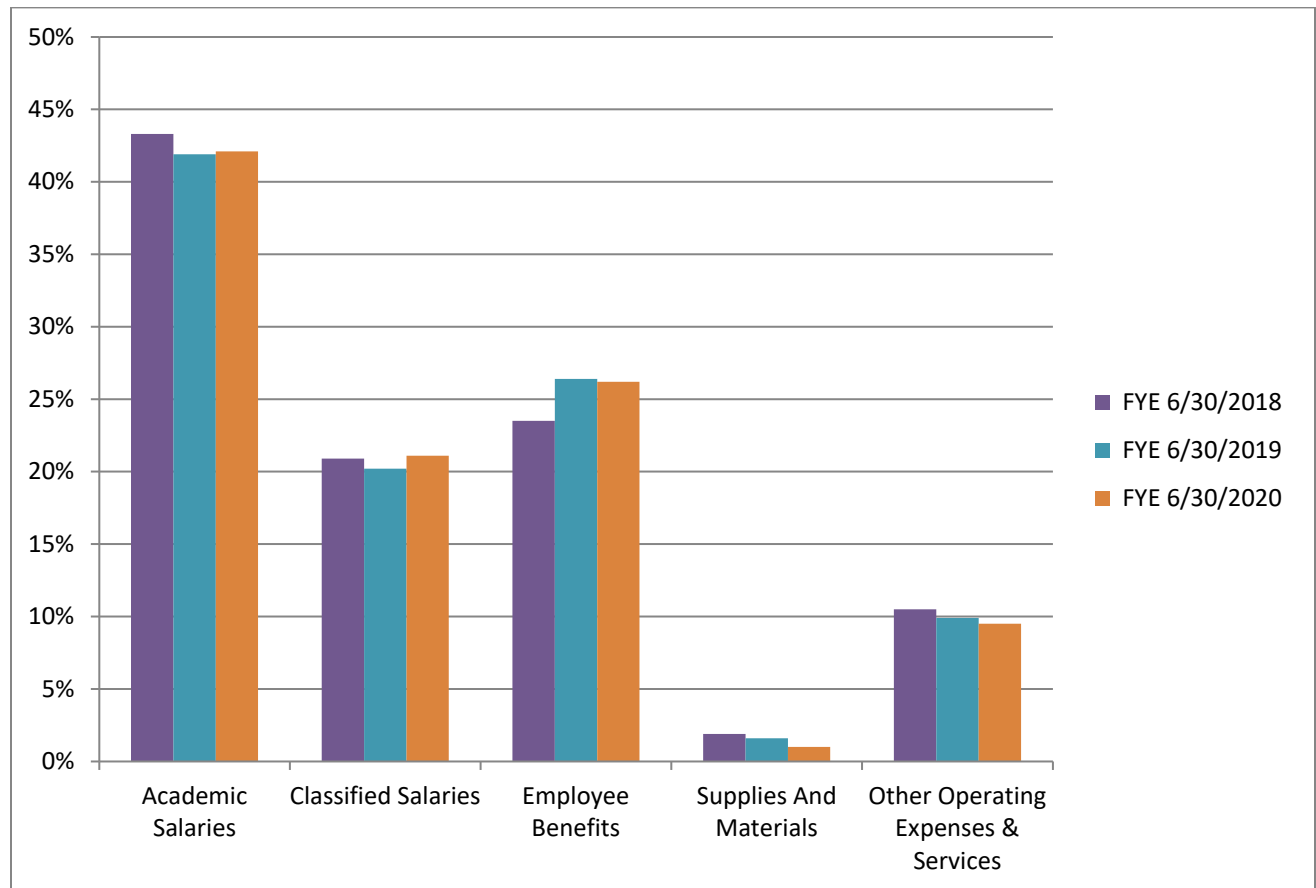
### General Fund Revenues by Source

The chart below depicts the District's General Fund total revenues by source:



**General Fund Expenditures by Type**

The chart below depicts a three-year review of the District's Unrestricted General Fund expenditures by type as a percentage of total expenditures before transfers:



As noted above, employee benefits have continued to increase at a higher rate than salaries due primarily to significant increases in required CalPERS and CalSTRS contributions.

The District's expenditures on employee salaries and benefits made up 89.4 percent of the total Unrestricted General Fund expenditures before transfers. This is slightly higher than the 87.3 percent in 2018-19 and also slightly higher than the 87.2 percent in 2017-18. While expenditure types as a percentage of total expenditures have remained relatively static. Looking at Salaries and Benefits as a percentage of Revenues before transfers shows that the District has increased salaries and benefits from 87.7 percent in 2017-18 to 89.4 percent in 2019-20.

Santa Barbara Community College District  
Management's Discussion and Analysis  
June 30, 2020

**Expenditures by Activity**

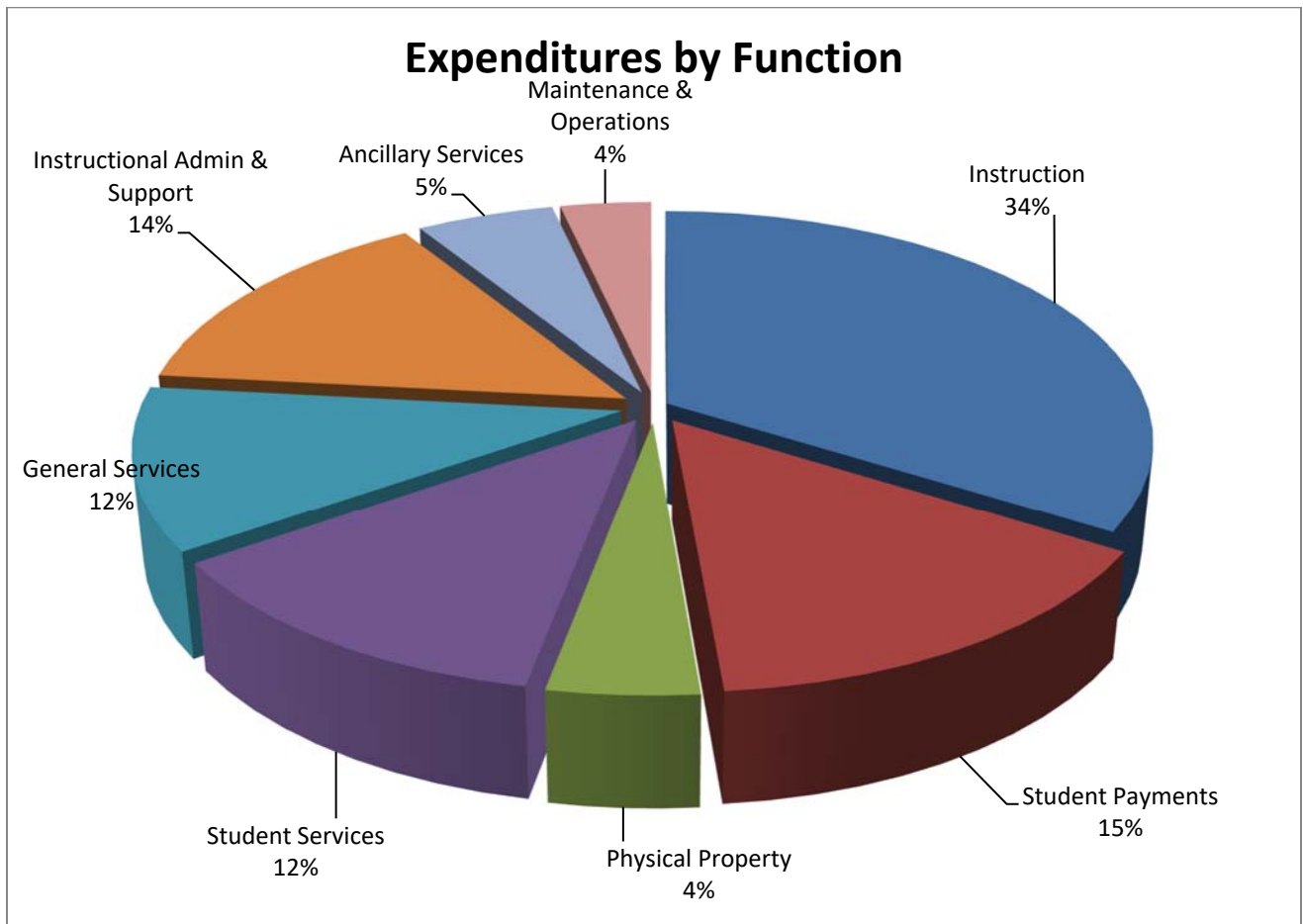
The following table summarizes the District's expenditures by activity for the year ended June 30, 2020:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Student Aid	Depreciation	Total
Instruction	\$ 62,387,434	\$ 1,737,495	\$ 216,043	\$ -	\$ -	\$ 64,340,972
Instructional Administration	8,467,969	14,710,664	669,481	-	-	23,848,114
Instructional Support Services	3,154,608	114,546	141,672	-	-	3,410,826
Admissions and Records	1,351,881	23,007	-	-	-	1,374,888
Counseling and Guidance	7,700,590	230,717	6,052	-	-	7,937,359
Other Student Services	7,577,178	6,495,197	26,604	-	-	14,098,979
Operations and Maintenance	4,450,927	2,209,354	87,387	-	-	6,747,668
Planning and Policy Making	1,291,897	269,074	-	-	-	1,560,971
General Institutional Services	12,251,819	6,235,801	174,042	-	-	18,661,662
Community Services	1,209,877	220,327	806	-	-	1,431,010
Ancillary Services	4,913,888	5,273,841	19,006	-	-	10,206,735
Student Aid	-	-	-	28,033,072	-	28,033,072
Physical Property and Related Acquisitions	-	36,840	2,211,698	-	-	2,248,538
Depreciation	-	-	-	-	5,923,310	5,923,310
<b>Total</b>	<b>\$ 114,758,068</b>	<b>\$ 37,556,863</b>	<b>\$ 3,552,791</b>	<b>\$ 28,033,072</b>	<b>\$ 5,923,310</b>	<b>\$ 189,824,104</b>

The following pie chart groups the District's expenditures by activity into major functional areas. The chart definitions below identify which activities are included in each major functional area.

**Chart Definitions:**

- Instruction: Consists of direct instructional expenses.
- Student Payments: Primarily consists of financial aid payments to students.
- Physical Property: Depreciation, Non-capitalized construction and purchases of small equipment.
- Student Services: Includes admissions and records, counseling, and other student service-related expenses.
- General Services: Includes planning and policy making, general institutional services, and community services.
- Instructional Admin & Support: Includes administrative expenses related to instruction, the library, and the learning resource center.
- Ancillary Services: Includes expenses related to the child development center, food service, parking, and co-curricular related expenses.
- Maintenance & Operations: Includes building maintenance, grounds maintenance, and custodial services.



**Condensed Statement of Cash Flows  
for the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Cash Provided by (Used in)			
Operating activities	\$ (97,942,008)	\$ (98,508,255)	\$ 566,247
Noncapital financing activities	97,745,656	101,485,972	(3,740,316)
Capital financing activities	(1,715,506)	(2,491,438)	775,932
Investing activities	<u>959,597</u>	<u>1,319,848</u>	<u>(360,251)</u>
Net Change in Cash	(952,261)	1,806,127	(2,758,388)
Cash and Cash Equivalents, Beginning of Year	<u>78,066,771</u>	<u>76,260,644</u>	<u>1,806,127</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 77,114,510</u></u>	<u><u>\$ 78,066,771</u></u>	<u><u>\$ (952,261)</u></u>

The previous schedule has been prepared from the Statement of Cash Flows presented on pages 22 and 23. This statement provides information about cash receipts and cash payments during the fiscal year. It also helps users assess the District's ability to generate positive net cash flows and its ability to meet its obligations as they come due.

The primary operating activities contributing to cash flow are student tuition and fees and Federal, State, and local grants and contracts, while the primary operating activity using cash flow throughout the year is the payment of salaries and benefits.

Even though State apportionment and property taxes are the primary source of District revenue (and cash flow), GASB accounting standards require that these sources of revenue be shown as nonoperating revenue since they come from the general resources of the State and not from the primary users of the District's programs and services (students). Nevertheless, the District depends upon this funding as the primary source of funds to continue operations.

**CAPITAL ASSET AND LONG-TERM LIABILITIES**

**Capital Assets**

At June 30, 2020, the District had \$237,280,202 in a range of capital assets, including land, buildings, and furniture and equipment. At June 30, 2020, the District's net capital assets were \$145,168,714. Capital improvement projects are ongoing throughout the District. These projects are primarily funded through State Construction Act revenues and Deferred Maintenance Funding. Projects are accounted for within the construction in progress account until the project is completed at which time the cost of the buildings and/or improvements will be recorded to the depreciable buildings and improvement category.



Note 5 in the financial statements provides additional information on capital assets. A summary of capital assets is presented below.

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Land and construction in progress	\$ 5,424,705	\$ 2,069,011	\$ -	\$ 7,493,716
Buildings and improvements	212,899,664	-	-	212,899,664
Equipment	16,661,055	225,767	-	16,886,822
Subtotal	234,985,424	2,294,778	-	237,280,202
Accumulated depreciation	(86,188,178)	(5,923,310)	-	(92,111,488)
	<u>\$ 148,797,246</u>	<u>\$ (3,628,532)</u>	<u>\$ -</u>	<u>\$ 145,168,714</u>

**Long-Term Liabilities including OPEB and Pensions**

At the end of the 2019-2020 fiscal year, the District had \$66,582,069 in General Obligation Bonds and loans payable outstanding. The bonds are repaid in annual installments, in accordance with the obligation requirements for each debt issuance, by way of property tax assessments on property within the District's boundaries.

The District is also obligated to employees of the District for vacation, load banking benefits, supplemental employee retirement plan, retiree health payments, and pension liabilities.

Notes 9-11 in the financial statements provides additional information on long-term liabilities. A summary of long-term liabilities is presented below.

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
General obligation bonds and loans payable	\$ 69,344,162	\$ -	\$ (2,762,093)	\$ 66,582,069
Aggregate net OPEB liability	8,129,573	-	(104,249)	8,025,324
Aggregate net pension liability	103,713,715	7,245,425	-	110,959,140
Other long-term liabilities	5,797,294	211,893	(840,426)	5,168,761
Total long-term Liabilities	<u>\$ 186,984,744</u>	<u>\$ 7,457,318</u>	<u>\$ (3,706,768)</u>	<u>\$ 190,735,294</u>
Amount due within one year				<u>\$ 2,984,993</u>

**Fund Balances**

Fund balance is the difference between fund assets and fund liabilities in the District's funds.

Fund Type	Ending Fund Balance 6/30/19	Ending Fund Balance 6/30/20	Change in Fund Balance
General Fund	29,836,713	27,319,232	(2,517,481)
Bond Interest & Redemption Fund	3,569,307	3,442,266	(127,041)
Capital Projects Funds	17,395,270	16,306,015	(1,089,255)
Enterprise Funds	6,974,555	6,864,521	(110,034)
Special Revenue Funds	120,766	107,460	(13,306)
Internal Service & Fiduciary Funds	2,323,960	1,905,887	(418,073)
<b>Total</b>	<b>60,220,571</b>	<b>55,945,381</b>	<b>(4,275,190)</b>

Total ending fund balances decreased \$4.3M (7.1 percent) from \$60.2M to \$55.9M. The majority of changes is due to fixed operating expenditures in the General Fund that exceeded revenues by \$2.5M, and costs for deferred maintenance projects (\$1.1M).

In accordance with Board Policy 6305, the District's board of directors has designated a portion of the Unrestricted General Fund balance as reserves. A reserve fund is an established prudent fiscal management tool, which buffers cash flow fluctuations and provides a resource for contingencies and reasonable yet unforeseen operational needs. The reserve includes 5 percent of annual projected Unrestricted General Fund expenditures, plus funds to cover all banked TLU obligations, plus funds equivalent to any deferrals of the college's State apportionment or 15 percent of annual projected Unrestricted General Fund expenditures, whichever is greater. The Unrestricted General Fund reserve is \$25.4M or approximately 24.1 percent of the annual projected Unrestricted General Fund expenditures.

**FACTORS THAT MAY AFFECT THE FUTURE**

**Accreditation**

- The District is accredited every six years by the Accrediting Commission of Community and Junior Colleges (ACCJC), a branch of the Western Association of Schools and Colleges. Being an accredited college is of critical importance. This status allows the District to provide Federal financial aid to students, receive Federal funding, grant degrees to students as coming from an accredited institution and articulate courses with other colleges and universities. In January 2016, the ACCJC reaffirmed the District's accreditation status.

- In March 2017, the District filed a follow up report with the ACCJC. On June 23, 2017, the ACCJC issued a letter stating that the District resolved deficiencies and meets the ACCJC Standards. The next report due to ACCJC is the Midterm Report and is due in Fall 2018.
- In October 2018, the District filed the Midterm Report with the ACCJC. On January 25, 2019 the ACCJC issued a letter stating that the District's progress was appropriate and the report was accepted.
- In January 2021, the district submitted its Institutional Self Evaluation Report (ISER) to the ACCJC.
- The ACCJC will be conducting a review of the ISER in March 2021 and a follow-up meeting in October 2021.

### **State Economy**

- The economic position of the District is closely tied to that of the State of California. The District receives over half of its unrestricted general fund revenue through State apportionments, with the remainder of revenues coming primarily from local property taxes, and student enrollment fees. These three sources comprise the District's general apportionment, the main funding support for California community colleges.
- In May 2020, due to the ongoing COVID pandemic, the Governor determined that the State would defer apportionment payments to the California Community College system. Subsequently, in January 2021, the Governor announced that state revenues came in higher than initially projected and therefore deferrals would be reduced by approximately \$1.1 billion if the proposal is passed in the State's fiscal year 2021-22 budget.

The District participates in the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS). The District and the employee each pay a percentage of the employee's salary into one of these systems. The State of California has contributed to these systems as well. The rates that are paid are set by the CalPERS Board for CalPERS and by the State legislature for CalSTRS. Over the years, the employee rates for both systems have not changed, but the CalPERS Board has decreased or increased the employer contribution rate as deemed necessary. At this time, both systems are underfunded in terms of their total liability. The CalPERS Board projected (subject to change) and the State legislature set (in law) rates that are projected to increase to just over 18 percent for CalSTRS and just over 26 percent for CalPERS by fiscal year 2024-25. The 2019-20 State Budget included a significant one-time contribution to both CalSTRS and CalPERS. These contributions resulted in reduced future contribution rates; however, the anticipated rate increases still represent a significant future obligation for schools and colleges.

Employer Rates	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
<b>CalSTRS</b>	14.43%	16.28%	17.10%	18.10%	18.10%	18.10%	18.10%	18.10%
<b>CalPERS</b>	15.80%	18.06%	19.72%	22.70%	24.60%	25.40%	26.10%	26.30%

- On April 28, 2020, SBCC received \$5.5 million of funding from the Higher Education Emergency Relief Fund (HEERF), as authorized through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Of the funds received, half was spent on emergency relief financial aid grants to students, while the remainder could be used by the institution to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus.
  
- On December 27, 2020, a second Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) was signed into law, providing additional support for education under the Higher Education Emergency Relief Fund II (HEERF II). At the end of last week, the Department of Education published the HEERF II financial allocation amounts for institutions. SBCC will receive \$11.8 million from HEERF II. Of the \$11.8 million, there is a requirement to spend at least \$2.9 million on emergency relief financial aid grants to students. The HEERF II comes with new spending rules that are less restrictive than HEERF I. The institutional portion of the funds can be used to cover any costs associated with: significant changes to the delivery of instruction due to the coronavirus, defraying expenses associated with coronavirus (including recovery of lost revenues), or to carry out student support activities that address needs related to coronavirus.

**District Budget**

- In May 2020, the Governor initiated an apportionment deferral plan that resulted in \$16 million of deferred apportionment payments to the District that will continue through fiscal year 2021-22. In January 2021, the Governor proposed a 78% paydown of the deferral plan, which would result in a favorable impact on the District's cash flow for fiscal years 2020-21 and 2021-2022 if approved.
  
- Due to enrollment declines in 2020-21, the District is not expecting to benefit from full-time equivalent student (FTES) growth funding available within the Student Centered Funding Formula (SCFF).
  
- Due to the COVID-19 pandemic, in 2020-21 the District's full-time equivalent student (FTES) based apportionment was based on 2019-20 P1 FTES.
  
- The Student Centered Funding Formula (SCFF) currently includes a Hold Harmless Provision, which guarantees apportionment funding of at least the 2017-18 Total Computational Revenue (TCR), including adjustments for COLA's, through 2023-24. The hold harmless TCR in 2021-22 is well below the projected 2021-22 TCR and is therefore not expected to benefit SBCC.
  - o The District's TCR in 2019-20 was \$82.9 million.
  - o The District's hold harmless TCR is \$78.2 million for 2021-22.

- There was no COLA included in the 2020-21 State budget.
- In October of 2019, the District's Board of Trustees approved a Supplementary Retirement Plan (SRP) offering for fiscal year 2019-20 and 2020-21. The plan offered qualified employees an annuity of 70 percent of their annual salary. Employees opted for their resignation/retirement date as a part of the SRP to be within three windows, June 2020, December 2020 and June 2021. A total of 48 employees resigned/retired from the district as a part of the SRP across the three windows. Factoring in current SRP position vacancies, replacements, and SRP costs, the District is projecting a saving of approximately \$4.2 million over six years (from 2020-21 to 2025-26) from the SRP.
- Lower than anticipated revenues from the SCFF, and continued declining enrollment have led the District to have lower than previously projected revenues, and a 2020-21 budgeted deficit of \$4.9 million in the Unrestricted General Fund. The District has sufficient reserves to fund this budgeted deficit. However due to COVID-19 and the shift in operations and courses being remote, other operating expenditures are trending lower than budgeted and should result in the fiscal year 2020-21 deficit being lower than budgeted. Additionally, the HEERF II funding will be utilized to offset lost revenues from COVID-19 in the Food Services Fund, Parking Fund, and Child Care Center Fund.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Santa Barbara Community College District, 721 Cliff Drive, Santa Barbara, California 93109.

Santa Barbara Community College District

Statement of Net Position

June 30, 2020

Assets	
Cash and cash equivalents	\$ 16,859,755
Investments	60,254,755
Accounts receivable	18,396,786
Student accounts receivable, net	2,790,674
Due from fiduciary funds	22,555
Prepaid expenses	3,208,894
Inventories	1,195,285
Capital assets	
Nondepreciable capital assets	7,493,716
Depreciable capital assets, net of depreciation	<u>137,674,998</u>
Total capital assets	<u>145,168,714</u>
Total assets	<u>247,897,418</u>
Deferred Outflows of Resources	
Deferred charges on refunding	3,069,667
Deferred outflows of resources related to pensions	29,707,469
Deferred outflows of resources related to other postemployment benefits (OPEB)	<u>494,650</u>
Total deferred outflows of resources	<u>33,271,786</u>
Liabilities	
Accounts payable	17,732,474
Accrued interest payable	1,094,438
Due to fiduciary funds	593,139
Unearned revenue	33,668,233
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	2,984,993
Long-term liabilities other than OPEB and pensions due in more than one year	68,765,837
Aggregate net OPEB liability	8,025,324
Aggregate net pension liability	<u>110,959,140</u>
Total liabilities	<u>243,823,578</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	13,385,080
Deferred inflows of resources related to OPEB	<u>1,001,974</u>
Total deferred inflows of resources	<u>14,387,054</u>
Net Position	
Net investment in capital assets	81,656,312
Restricted for:	
Debt service	2,347,828
Capital projects	16,306,015
Educational programs	1,891,017
Unrestricted deficit	<u>(79,242,600)</u>
Total net position	<u>\$ 22,958,572</u>

Santa Barbara Community College District  
Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2020

Operating Revenues	
Student tuition and fees	\$ 28,568,339
Less: scholarship discount and allowance	<u>(7,060,642)</u>
Net tuition and fees	<u>21,507,697</u>
Grants and Contracts, noncapital	
Federal	3,073,914
State	36,891,720
Local	<u>1,597,006</u>
Total grants and contracts, noncapital	<u>41,562,640</u>
Auxiliary enterprise sales and charges	
Campus store	4,605,011
Center for lifelong learning	319,224
Other operating revenues	<u>115,022</u>
Auxiliary enterprise sales and charges	<u>5,039,257</u>
Total operating revenues	<u>68,109,594</u>
Operating Expenses	
Salaries	78,394,625
Employee benefits	36,363,443
Supplies, materials, and other operating expenses and services	37,556,863
Equipment, maintenance, and repairs	3,552,791
Student financial aid	28,033,072
Depreciation	<u>5,923,310</u>
Total operating expenses	<u>189,824,104</u>
Operating Loss	<u>(121,714,510)</u>
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	42,412,913
Local property taxes, levied for general purposes	33,938,582
Taxes levied for other specific purposes	4,395,795
Federal financial aid grants, noncapital	22,253,790
State financial aid grants, noncapital	2,944,856
State taxes and other revenues	3,242,113
Investment income	954,120
Interest expense on capital related debt	(2,246,717)
Investment income on capital asset-related debt	30,764
Transfer from fiduciary funds	33,699
Transfer to fiduciary funds	(3,109)
Other nonoperating revenues	<u>2,543,191</u>
Total nonoperating revenues (expenses)	<u>110,499,997</u>
Loss before other revenues	<u>(11,214,513)</u>
Other Revenues	
State revenues, capital	848,624
Local revenues, capital	<u>126,412</u>
Total other revenues	<u>975,036</u>
Change in Net Position	<u>(10,239,477)</u>
Net Position, Beginning of Year	<u>33,198,049</u>
Net Position, End of Year	<u>\$ 22,958,572</u>

See Notes to Financial Statements

Santa Barbara Community College District

Statement of Cash Flows

Year Ended June 30, 2020

Cash Flows from Operating Activities	
Tuition and fees	\$ 20,708,414
Grants and contracts, noncapital	50,612,212
Payments to vendors for supplies and services	(35,756,811)
Payments to or on behalf of employees	(110,512,008)
Payments to students for scholarships and grants	(28,033,072)
Auxiliary sales	5,039,257
	<u>(97,942,008)</u>
Net Cash Flows from Operating Activities	<u>(97,942,008)</u>
Cash Flows from Noncapital Financing Activities	
State apportionments	37,897,884
Federal and State financial aid grants	25,198,646
Property taxes	33,938,582
State taxes and other apportionments	3,404,902
Other nonoperating payments	(2,694,358)
	<u>97,745,656</u>
Net Cash Flows from Noncapital Financing Activities	<u>97,745,656</u>
Cash Flows from Capital Financing Activities	
Purchase of capital assets	(2,300,485)
State revenue, capital projects	848,624
Local revenue, capital projects	126,412
Property taxes - related to capital debt	4,395,795
Principal paid on capital debt	(2,149,216)
Interest paid on capital debt	(2,667,400)
Interest received on capital asset-related debt	30,764
	<u>(1,715,506)</u>
Net Cash Flows from Capital Financing Activities	<u>(1,715,506)</u>
Cash Flows from Investing Activities	
Interest received from investments	959,597
	<u>959,597</u>
Net Change in Cash and Cash Equivalents	(952,261)
Cash and Cash Equivalents, Beginning of Year	<u>78,066,771</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 77,114,510</u></u>



Santa Barbara Community College District

Statement of Cash Flows

Year Ended June 30, 2020

Reconciliation of net operating loss to net cash flows from operating activities	
Operating loss	<u>\$ (121,714,510)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	5,923,310
Changes in assets, deferred outflows, liabilities, and deferred inflows	
Receivables, net	2,746,161
Inventories	180,648
Prepaid expenses	667,449
Deferred outflows of resources related to pensions	(535,442)
Deferred outflows of resources related to OPEB	(331,005)
Accounts payable and accrued liabilities	3,833,995
Unearned revenue	5,504,128
Compensated absences and teacher load units	211,893
Supplemental early retirement program	(840,426)
Aggregate net OPEB liability	(104,249)
Aggregate net pension liability	7,245,425
Deferred inflows of resources related to OPEB	(1,731,359)
Deferred inflows of resources related to pensions	1,001,974
Total adjustments	<u>23,772,502</u>
Net Cash Flows From Operating Activities	<u><u>\$ (97,942,008)</u></u>
Cash and Cash Equivalents Consist of the Following:	
Cash on hand and in banks	\$ 16,859,755
Cash with local agency investment fund	27,625
Cash with county treasury	<u>60,227,130</u>
Total cash and cash equivalents	<u><u>\$ 77,114,510</u></u>
Noncash Transactions	
Amortization of debt premium	\$ 612,877
Amortization of deferred charges on refunding	\$ 233,860

Santa Barbara Community College District

Fiduciary Funds

Statement of Net Position

June 30, 2020

	Trust Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 2,800
Investments	985,327
Accounts receivable	40,858
Due from primary government	593,139
Total assets	1,622,124
<b>Liabilities</b>	
Accounts payable	31,117
Due to primary government	22,555
Unearned revenue	17,291
Total liabilities	70,963
<b>Net Position</b>	
Unrestricted	\$ 1,551,161

Santa Barbara Community College District

Fiduciary Funds

Statement of Changes in Net Position

Year Ended June 30, 2020

	<u>Trust Funds</u>
Additions	
Other local revenues	\$ 2,242,623
Transfer from primary government	3,109
Total additions	<u>2,245,732</u>
Deductions	
Classified salaries	45,916
Employee benefits	577
Books and supplies	371,107
Services and operating expenditures	306,391
Capital outlay	11,712
Transfer to primary government	33,699
Other uses- student aid	1,608,686
Total deductions	<u>2,378,088</u>
Change in Net Position	(132,356)
Net Position - Beginning	<u>1,683,517</u>
Net Position - Ending	<u><u>\$ 1,551,161</u></u>

**Note 1 - Organization**

Santa Barbara Community College District (the District) was established in 1964 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates one college and two campuses/centers located within Santa Barbara County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

**Financial Reporting Entity**

The District has adopted accounting policies to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the District.

The District has analyzed the financial and accountability relationship with the Foundation for Santa Barbara City College (the Foundation) in conjunction with the GASB Statement No. 61 criteria. The Foundation is a separate, not for profit organization, and the District does provide and receive direct benefits to and from the Foundation. However, it has been determined that all criteria under GASB Statement No. 61 have not been met to require inclusion of the Foundation's financial statements in the District's annual report. Information on the Foundation may be requested through the Foundation for the Santa Barbara City College office.

**Note 2 - Summary of Significant Accounting Policies****Basis of Accounting - Measurement Focus and Financial Statement Presentation**

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, 39 and No. 61. This presentation provides a comprehensive government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. For the District, operating revenues consist primarily of student fees, noncapital grants and contracts, and auxiliary activities primarily through the Campus Store and Center for Lifelong Learning.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State financial aid grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State financial aid grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statement of Net Position - Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
  - Statement of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statement of Fiduciary Net Position
    - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances and local agency investment fund balances for purposes of the Statement of Cash Flows.

### **Investments**

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

### **Accounts Receivable**

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$1,578,237 for the year ended June 30, 2020.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

**Inventories**

Inventories consist primarily of Campus Store merchandise and cafeteria food and supplies held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the lower of cost or market or first-in, first-out (FIFO) method. The cost is recorded as an expense as the inventory is consumed rather than when purchased.

**Capital Assets and Depreciation**

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at acquisition value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 50 years; portable buildings and building equipment, 15 years; land improvements, 10 years; equipment and vehicles, 8 years; technology equipment, 3 years.

**Accrued Liabilities and Long-Term Liabilities**

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

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the government-wide financial statements.

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

### **Debt Premiums**

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources for deferred charges on refunding of general obligation bonds, and for pension and OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

### **Pensions**

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



**Postemployment Benefits Other Than Pensions (OPEB)**

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

**Unearned Revenue**

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

**Noncurrent Liabilities**

Noncurrent liabilities include bonds and loans payable, compensated absences, teacher load units, supplemental early retirement plan, the aggregate net OPEB liability, and the aggregate net pension liability with maturities greater than one year.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$20,544,860 of restricted net position.

**Operating Revenues and Expenses**

*Classification of Revenues* - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

*Operating revenues* - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

*Nonoperating revenues* - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

*Classification of Expenses* - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

*Operating expenses* - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

*Nonoperating expenses* - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

**State Apportionments**

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

**Property Taxes**

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

The voters of the District passed a General Obligation Bond in 2008 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

**Scholarships, Discounts, and Allowances**

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

**Federal Financial Assistance Programs**

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG) Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

**Estimates**

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

**Interfund Activity**

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

**Change in Accounting Principles**

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

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

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

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

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

The provisions of this Statement have been implemented as of June 30, 2020, with the exception of Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The District has already implemented these standards as of June 30, 2020.

### **New Accounting Pronouncements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform;

(2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

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

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

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

**Note 3 - Deposits and Investments****Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**Investment in County Treasury**

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in the external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**Investment in the State Investment Pool**

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in LAIF is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**Authorized Under Debt Agreements**

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

**Summary of Deposits and Investments**

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

Primary government	\$ 77,114,510
Fiduciary funds	988,127
	<hr/>
Total deposits and investments	\$ 78,102,637
	<hr/> <hr/>
Cash on hand and in banks	\$ 16,842,802
Cash in revolving	19,753
Investments	61,240,082
	<hr/>
Total deposits and investments	\$ 78,102,637
	<hr/> <hr/>

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Santa Barbara County Investment Pool and LAIF.

**Specific Identification**

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Reported Amount	Weighted Average Days to Maturity
Santa Barbara County Investment Pool	\$ 61,212,457	491
LAIF	<u>27,625</u>	191
Total	<u><u>\$ 61,240,082</u></u>	

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Santa Barbara County Investment Pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2020.

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's bank balance of approximately \$15.8 million was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**Note 4 - Accounts Receivable**

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

	Primary Government
Federal Government	
Categorical aid	\$ 3,532,890
State Government	
Apportionment	5,550,340
Categorical aid	4,896,590
Lottery	651,163
Other State sources	695,927
Local Sources	
Interest	10,103
Third party student receivables	2,574,809
Other local sources	484,964
Total	\$ 18,396,786
Student receivables	\$ 4,368,911
Less allowance for bad debt	(1,578,237)
Student receivables, net	\$ 2,790,674
	Fiduciary Funds
Local Sources	
Other local sources	\$ 40,858

**Note 5 - Capital Assets**

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Capital assets not being depreciated				
Land	\$ 5,336,616	\$ -	\$ -	\$ 5,336,616
Construction in progress	88,089	2,069,011	-	2,157,100
<b>Total capital assets not being depreciated</b>	<b>5,424,705</b>	<b>2,069,011</b>	<b>-</b>	<b>7,493,716</b>
Capital assets being depreciated				
Buildings	212,242,261	-	-	212,242,261
Leasehold improvements	657,403	-	-	657,403
Equipment	16,661,055	225,767	-	16,886,822
<b>Total capital assets being depreciated</b>	<b>229,560,719</b>	<b>225,767</b>	<b>-</b>	<b>229,786,486</b>
<b>Total capital assets</b>	<b>234,985,424</b>	<b>2,294,778</b>	<b>-</b>	<b>237,280,202</b>
Less accumulated depreciation				
Buildings	72,329,573	5,102,396	-	77,431,969
Leasehold improvements	575,225	82,178	-	657,403
Equipment	13,283,380	738,736	-	14,022,116
<b>Total accumulated depreciation</b>	<b>86,188,178</b>	<b>5,923,310</b>	<b>-</b>	<b>92,111,488</b>
<b>Net capital assets</b>	<b>\$ 148,797,246</b>	<b>\$ (3,628,532)</b>	<b>\$ -</b>	<b>\$ 145,168,714</b>

Depreciation expense for the year was \$5,923,310.

**Note 6 - Accounts Payable**

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

	Primary Government
Accrued payroll	\$ 6,800,121
Construction payables	252,166
Student services payables	667,629
Other vendor payables	10,012,558
Total	\$ 17,732,474
	Fiduciary Funds
Other vendor payables	\$ 31,117

**Note 7 - Unearned Revenue**

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

	Primary Government
Federal financial assistance	\$ 17,693
Education Protection Account (EPA)	2,676,158
State categorical aid	24,821,406
Enrollment fees	5,537,266
Other local	615,710
Total	\$ 33,668,233
	Fiduciary Funds
Other local	\$ 17,291



**Note 8 - Interfund Transactions****Interfund Receivables and Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government funds and fiduciary funds, respectively, has been eliminated in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2020, the amounts owed between the primary government and the fiduciary funds were \$22,555 and \$593,139, respectively.

**Interfund Operating Transfers**

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2019-2020 fiscal year, the amount transferred to the primary government from the fiduciary funds amounted to \$33,699. The amount transferred to the fiduciary funds from the primary government amounted to \$3,109.

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

**Summary**

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
<b>Bonds and Loans Payable</b>					
General obligation bonds, 2008 Series B	\$ 11,190,000	\$ -	\$ (380,000)	\$ 10,810,000	\$ 395,000
General obligation bonds, 2008 Series C	11,615,000	-	(450,000)	11,165,000	-
General obligation bonds, 2016 Refunding Bonds	36,080,000	-	(1,070,000)	35,010,000	1,265,000
Unamortized bond premium	9,372,100	-	(612,877)	8,759,223	-
Loans payable	1,087,062	-	(249,216)	837,846	263,175
<b>Total bonds and loans payable</b>	<b>69,344,162</b>	<b>-</b>	<b>(2,762,093)</b>	<b>66,582,069</b>	<b>1,923,175</b>
<b>Other Liabilities</b>					
Compensated absences	2,062,181	160,573	-	2,222,754	-
Teacher load units	1,289,236	51,320	-	1,340,556	221,392
Supplemental early retirement plan (SERP)	2,445,877	-	(840,426)	1,605,451	840,426
<b>Total other liabilities</b>	<b>5,797,294</b>	<b>211,893</b>	<b>(840,426)</b>	<b>5,168,761</b>	<b>1,061,818</b>
<b>Total long-term liabilities</b>	<b>\$ 75,141,456</b>	<b>\$ 211,893</b>	<b>\$ (3,602,519)</b>	<b>\$ 71,750,830</b>	<b>\$ 2,984,993</b>

**Description of Long-Term Liabilities**

Payments on the loans payable are paid by the Construction Fund. Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The accrued compensated absences, teacher load units, and the supplemental early retirement plan will be paid by the fund for which the employee worked.

**Bonded Debt**

**Bonds Payable**

General obligation bonds were approved by a local election in June 2008. The total amount approved by the voters was \$77,242,012. At June 30, 2020, \$77,240,000 had been issued, and \$56,985,000 was outstanding. Interest rates on the bonds are 1.25 to 5.75 percent.

#### 2008 General Obligation Bonds, Series B

During April 2013, the District issued the 2008 General Obligation Bonds, Series 2008B in the amount of \$15,000,000. The bonds mature beginning on August 1, 2009 through August 1, 2038, with interest yields ranging from 1.25 to 5.00 percent. At June 30, 2020, the principal outstanding was \$10,810,000 and unamortized premium cost of \$918,789. Premium costs are amortized over the life of the bonds as a component of interest expense on the bonds.

The bonds are being used for the purposes of financing the costs of renovating, acquiring, construction, repairing, and equipping District buildings and to pay all legal, financial, and contingent costs in connection with the issuance of the bonds. The bonds are general obligations of the District payable solely from the proceeds of ad valorem property taxes. Interest with respect of the bonds accrues from the date of their delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2014.

#### 2008 General Obligation Bonds, Series C

During January 2016, the District issued the 2008 General Obligation Bonds, Series 2008C in the amount of \$15,240,000. The bonds mature beginning on August 1, 2017 through August 1, 2040, with interest yields ranging from 3.15 to 5.00 percent. At June 30, 2020, the principal outstanding was \$11,165,000 and unamortized premium cost of \$1,396,389. Premium costs are amortized over the life of the bonds as a component of interest expense on the bonds.

The bonds are being used for the purposes of financing the costs of renovating, acquiring, construction, repairing, and equipping District buildings and to pay all legal, financial, and contingent costs in connection with the issuance of the bonds. The bonds are general obligations of the District payable solely from the proceeds of ad valorem property taxes. Interest with respect of the bonds accrues from the date of their delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2016.

2016 General Obligation Refunding Bonds

During January 2016, the District issued the 2016 General Obligation Refunding Bonds in the amount of \$36,275,000. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in an economic gain of \$7,145,343 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.197 percent.

The bonds have a final maturity to occur on August 1, 2033, with interest rates from 3.00 to 5.00 percent. The net proceeds of \$44,935,468 (representing the principal amount of \$36,275,000 plus premium on issuance of \$8,660,468) from the issuance were used to advance refund a portion of the District's outstanding 2008 General Obligation Bonds, Series 2008A and pay the costs associated with the issuance of the refunding bonds. At June 30, 2020, the principal balance outstanding was \$35,010,000. Unamortized premium received on issuance of the bonds amounted to \$6,444,045 as of June 30, 2020. The issuance resulted in the recognition of deferred charges on refunding of \$4,112,037, with a remaining unamortized balance of \$3,069,667 as of June 30, 2020.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Redeemed	Bonds Outstanding June 30, 2020
4/18/2013	8/1/2038	1.25%-5.00%	\$ 15,000,000	\$ 11,190,000	\$ 380,000	\$ 10,810,000
1/12/2016	8/1/2040	3.15%-5.00%	15,240,000	11,615,000	450,000	11,165,000
1/12/2016	8/1/2033	3.00%-5.00%	36,275,000	36,080,000	1,070,000	35,010,000
				<u>\$ 58,885,000</u>	<u>\$ 1,900,000</u>	<u>\$ 56,985,000</u>

**Debt Maturity**

The General Obligation Bonds, Series 2008B mature through 2039 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ 395,000	\$ 436,400	\$ 831,400
2022	410,000	420,300	830,300
2023	430,000	403,500	833,500
2024	445,000	386,000	831,000
2025	465,000	367,800	832,800
2026-2030	2,590,000	1,561,925	4,151,925
2031-2035	3,095,000	1,057,425	4,152,425
2036-2039	2,980,000	307,250	3,287,250
Total	<u>\$ 10,810,000</u>	<u>\$ 4,940,600</u>	<u>\$ 15,750,600</u>

The General Obligation Bonds, Series 2008C mature through 2041 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ -	\$ 484,950	\$ 484,950
2022	-	484,950	484,950
2023	-	484,950	484,950
2024	-	484,950	484,950
2025	-	484,950	484,950
2026-2030	-	2,424,750	2,424,750
2031-2035	1,160,000	2,395,750	3,555,750
2036-2040	7,855,000	1,311,275	9,166,275
2041	2,150,000	43,000	2,193,000
<b>Total</b>	<b>\$ 11,165,000</b>	<b>\$ 8,599,525</b>	<b>\$ 19,764,525</b>

The 2016 Refunding General Obligation Bonds mature through 2034 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2021	\$ 1,265,000	\$ 1,665,775	\$ 2,930,775
2022	1,480,000	1,597,150	3,077,150
2023	1,650,000	1,527,150	3,177,150
2024	1,815,000	1,448,775	3,263,775
2025	2,010,000	1,353,150	3,363,150
2026-2030	13,225,000	4,952,875	18,177,875
2031-2034	13,565,000	1,271,525	14,836,525
<b>Total</b>	<b>\$ 35,010,000</b>	<b>\$ 13,816,400</b>	<b>\$ 48,826,400</b>

### Loans Payable

On June 21, 2007, the District signed a Promissory Note and Loan Agreement for \$1,950,000 with the State of California, Energy Resources Conservation and Development Commission (the Commission), in order to finance energy efficiency projects. The principal and interest at 3.95 percent per annum on the unpaid principal is due and payable in semiannual installments beginning on December 22, 2012. Loan funds are disbursed to the District on a reimbursement basis based on invoices submitted by the District which totaled \$1,950,000. At June 30, 2020, the outstanding principal balance on the loan payable was \$701,237.

At June 30, 2020, future minimum payments were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2021	\$ 172,376	\$ 26,083	\$ 198,459
2022	165,763	19,471	185,234
2023	179,252	12,595	191,847
2024	183,846	5,454	189,300
Total	<u>\$ 701,237</u>	<u>\$ 63,603</u>	<u>\$ 764,840</u>

In February 2013, the District signed a Promissory Note and Loan Agreement for \$750,000 with the Commission in order to finance energy efficiency projects. The District received the loan disbursement in October 2013. The principal and interest at 1.00 percent per annum on the unpaid principal is due and payable in semiannual installments beginning on December 22, 2013. At June 30, 2020, the outstanding principal balance on the loan payable was \$136,609.

At June 30, 2020, future minimum payments were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2021	\$ 90,799	\$ 1,140	\$ 91,939
2022	45,810	231	46,041
Total	<u>\$ 136,609</u>	<u>\$ 1,371</u>	<u>\$ 137,980</u>

**Compensated Absences**

At June 30, 2020, the liability for compensated absences was \$2,222,754.

**Teacher Load Units**

At June 30, 2020, the liability for teacher load units was \$1,340,556.

**Supplemental Employee Retirement Plan (SERP)**

The District entered into two agreements with Keenan & Associates to provide early retirement incentives for qualifying employees. Each SERP is payable by the District over a five-year period. As of June 30, 2020, the outstanding balance was \$1,605,451.

Year Ending June 30,	
2021	\$ 840,426
2022	765,025
Total	\$ 1,605,451

**Note 10 - Aggregate Net Other Postemployment Benefit (OPEB) Liability**

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

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 7,576,034	\$ 494,650	\$ 1,001,974	\$ 563,461
Medicare Premium Payment (MPP) Program	449,290	-	-	3,259
Total	\$ 8,025,324	\$ 494,650	\$ 1,001,974	\$ 566,720

The details of each plan are as follows:

**District Plan**

Plan Administration

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

Management of the Plan is vested in the District management.

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits payments	21
Active employees	462
	483
	483

Benefits Provided

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

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District and the District's bargaining units. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District. For the measurement date of June 30, 2020, the District contributed \$292,804 to the Plan, which was used for current premiums.

**Total OPEB Liability of the District**

The District's total OPEB liability of \$7,576,034 was measured as of June 30, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	2.20 percent
Healthcare cost trend rates	4.00 percent

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



Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actual experience study as of June 2020.

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at June 30, 2019	\$ 7,683,542
Service cost	626,179
Interest	274,758
Differences between expected and actual experience	(1,091,436)
Changes of assumptions	375,795
Benefit payments	<u>(292,804)</u>
Net change in total OPEB liability	<u>(107,508)</u>
Balance at June 30, 2020	<u><u>\$ 7,576,034</u></u>

There were no changes in benefit terms since the previous valuation.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50 percent to 2.20 percent since the previous valuation.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (1.20%)	\$ 8,160,906
Current discount rate 2.20%)	7,576,034
1% increase (3.20%)	7,017,049

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using health care cost trend rates that are one percent lower or higher than the current health care costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.00%)	\$ 6,638,492
Current healthcare cost trend rate (4.00%)	7,576,034
1% increase (5.00%)	8,689,237

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,001,974
Changes of assumptions	494,650	-
	<u>\$ 494,650</u>	<u>\$ 1,001,974</u>

Amounts reported as deferred outflows/(inflows) of resources related to differences between expected and actual experience and changes of assumptions will be amortized over the expected average remaining service life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 12.7 years and amounts will be recognized as OPEB expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ (44,672)
2022	(44,672)
2023	(44,672)
2024	(44,672)
2025	(44,672)
Thereafter	(283,964)
	<u>\$ (507,324)</u>

## Medicare Premium Payment (MPP) Program

### Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

### Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program

### Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of \$449,290 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.1206 percent and 0.1165, respectively, resulting in a net increase in the proportionate share of 0.0041 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of \$3,259.

Actuarial Methods and Assumptions

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

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

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

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23 percent of the potentially eligible population (165,422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019, is 3.50 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (2.50%)	\$ 490,278
Current discount rate (3.50%)	449,290
1% increase (4.50%)	411,603

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

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 421,119
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	449,290
1% increase (4.7% Part A and 5.1% Part B)	505,561

**Note 11 - Employee Retirement Systems**

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

For the fiscal year ended June 30, 2020, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 61,596,241	\$ 18,371,498	\$ 10,893,838	\$ 6,975,470
CalPERS	49,362,899	11,335,971	2,491,242	7,366,970
Total	<u>\$ 110,959,140</u>	<u>\$ 29,707,469</u>	<u>\$ 13,385,080</u>	<u>\$ 14,342,440</u>

The details of each plan are as follows:

### **California State Teachers' Retirement System (CalSTRS)**

#### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required State contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the District's total contributions were \$6,827,292.

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

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

Total Net Pension Liability, Including State Share	
District's proportionate share of net pension liability	\$ 61,596,241
State's proportionate share of net pension liability associated with the District	<u>33,604,862</u>
Total	<u><u>\$ 95,201,103</u></u>

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.0682 percent and 0.0649 percent, respectively, resulting in a net increase in the proportionate share of 0.0033 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$6,975,470. In addition, the District recognized pension expense and revenue of \$5,004,489 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,827,292	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,598,130	6,785,421
Differences between projected and actual earnings on pension plan investments	-	2,372,706
Differences between expected and actual experience in the measurement of the total pension liability	155,498	1,735,711
Changes of assumptions	7,790,578	-
	<u>\$ 18,371,498</u>	<u>\$ 10,893,838</u>
Total		

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

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

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2021	\$ (239,329)
2022	(1,883,649)
2023	(391,075)
2024	141,347
	<u>\$ (2,372,706)</u>
Total	



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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2021	\$ 697,560
2022	697,560
2023	417,906
2024	995,106
2025	(68,739)
Thereafter	<u>283,681</u>
Total	<u>\$ 3,023,074</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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

	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	4.80%
Fixed income	12%	1.30%
Real estate	13%	3.60%
Private equity	13%	6.30%
Risk Mitigating Strategies	9%	1.80%
Inflation sensitive	4%	3.30%
Cash/liquidity	2%	-0.40%

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 91,721,902
Current discount rate (7.10%)	61,596,241
1% increase (8.10%)	36,616,331

**California Public Employees' Retirement System (CalPERS)**

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:  
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above, and the total District contributions were \$4,634,825.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$49,362,899. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.1694 percent and 0.1652 percent, respectively, resulting in a net increase in the proportionate share of 0.0042 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$7,366,970. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,634,825	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	765,591	2,033,392
Differences between projected and actual earnings on pension plan investments	-	457,850
Differences between expected and actual experience in the measurement of the total pension liability	3,585,727	-
Changes of assumptions	2,349,828	-
	<u>\$ 11,335,971</u>	<u>\$ 2,491,242</u>
Total		

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2021	\$ 451,949
2022	(902,753)
2023	(136,801)
2024	<u>129,755</u>
Total	<u>\$ (457,850)</u>

The deferred outflows/(inflows) of resources related to the changes in proportion and differences between contributions made and Districts proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, changes of assumptions be amortized over the EARSL of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2021	\$ 2,682,381
2022	1,078,072
2023	824,819
2024	<u>82,482</u>
Total	<u>\$ 4,667,754</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 71,153,373
Current discount rate (7.15%)	49,362,899
1% increase (8.15%)	31,286,195

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2020, which amounted to \$3,510,135 (10.328 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2020. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2019-20 contribution on behalf of school employers of \$1.1 billion for CalSTRS. A proportionate share of these contributions has been recorded in these financial statements.

**Note 12 - Participation in Public Entity Risk Pools and Joint Powers Authorities**

The District participates in a joint powers agreement (JPA) with the Alliance of Schools for Cooperative Insurance Programs (ASCIP). ASCIP was established to provide services necessary and appropriate for the development, operation, and maintenance of a self-insurance system for primary general and automobile liability coverage protection for claims against the public educational agencies in California who make up the ASCIP membership.

The general and automobile liability coverage provides up to \$5,000,000 in limits less the District's self-insured retention (SIR) of \$25,000 per occurrence. Each member district is entitled to cast one vote to elect governing board representative(s) to represent the member district on ASCIP's governing board. The governing board is responsible for establishing premium rates and making budget and operational decisions for ASCIP independent of any influence by the District beyond their board member representation. Each member district shares surpluses and deficits proportionate to their participation in ASCIP.

The relationship between the District and ASCIP is such that ASCIP is not a component unit of the District for financial reporting purposes under the criteria of GASB Statement No. 14, amended by GASB Statements No. 39 and No. 61.

**Southern California Community College Districts Joint Powers Authority (SCCCD)**

The District participates in an additional banking JPA for workers' compensation self-insurance coverage through the Southern California Community College Districts Joint Powers Authority (SCCCD). SCCCDD provides workers' compensation coverage and a reserve to be used toward funding long-term retiree health insurance liabilities for its six member districts. Payments transferred to funds maintained under the JPA are expensed when made. Based upon an actuarial study, District administrators are of the opinion that the procedures for accumulating and maintaining reserves are sufficient to cover future contingencies under potential workers' compensation claims; however, the reserve for retiree health insurance is not yet sufficient to cover future potential payments. The JPA participates in the Protected Insurance Programs for Schools (PIPS), a pooled risk JPA. The purpose of the program is to provide workers' compensation insurance coverage at competitive group rates.

The relationship between the District and the SCCCDD is such that the SCCCDD is not a component unit of the District for financial reporting purposes under the criteria of GASB Statement No. 14, amended by GASB Statements No. 39 and No. 61.

**Schools Excess Liability Fund (SELF)**

The District participates in a joint venture under a JPA with the Schools Excess Liability Fund (SELF). SELF was established to provide excess general and automobile liability coverage. The excess liability limits are designed to follow the primary liability limits provided by ASCIP. Coverage under the current program provides for the payment of covered claims incurred by the District up to \$20,000,000 per occurrence. The District absorbs the first \$5,000,000 of liability (which is comprised of the District's SIR, ASCIP, and SELF limits). Each member district is assessed a premium in accordance with the joint powers agreement.

The relationship between the District and SELF is such that SELF is not a component unit of the District for financial reporting purposes under the criteria of GASB Statement No. 14, amended by GASB Statements No. 39 and No. 61.



### **Note 13 - Commitments and Contingencies**

#### **Grants**

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

#### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2020.

### **Note 14 - Subsequent Events**

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



Required Supplementary Information  
June 30, 2020

**Santa Barbara Community  
College District**

Santa Barbara Community College District  
Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
Year Ended June 30, 2020

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 626,179	\$ 582,246	\$ 566,663
Interest	274,758	248,670	248,749
Differences between expected and actual experience	(1,091,436)	-	-
Changes of assumptions	375,795	177,632	-
Benefit payments	(292,804)	(277,491)	(266,818)
Net changes in total OPEB liability	(107,508)	731,057	548,594
Total OPEB liability - beginning	7,683,542	6,952,485	6,403,891
Total OPEB liability - ending	<u>\$ 7,576,034</u>	<u>\$ 7,683,542</u>	<u>\$ 6,952,485</u>
Covered payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
District's total OPEB liability as a percentage of covered payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

<sup>1</sup> In The District's OPEB Plan is not administered through a trust and contributions are not made based Therefore, no measure of payroll is presented.

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

Santa Barbara Community College District  
Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program  
Year Ended June 30, 2020

Year ended June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.1206%</u>	<u>0.1165%</u>	<u>0.1230%</u>
District's proportionate share of the net OPEB liability	<u>\$ 449,290</u>	<u>\$ 446,031</u>	<u>\$ 517,617</u>
District's covered payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>-0.81%</u>	<u>-0.40%</u>	<u>0.01%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Santa Barbara Community College District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>						
District's proportion of the net pension liability	0.0682%	0.0649%	0.0680%	0.0764%	0.0808%	0.0798%
District's proportionate share of the net pension liability	\$ 61,596,241	\$ 59,667,530	\$ 62,848,497	\$ 61,801,366	\$ 54,372,346	\$ 46,749,600
State's proportionate share of the net pension liability associated with the District	33,604,862	34,162,451	37,180,640	35,182,415	28,756,977	28,161,175
Total	<u>\$ 95,201,103</u>	<u>\$ 93,829,981</u>	<u>\$ 100,029,137</u>	<u>\$ 96,983,781</u>	<u>\$ 83,129,323</u>	<u>\$ 74,910,775</u>
District's covered payroll	<u>\$ 40,032,181</u>	<u>\$ 37,347,256</u>	<u>\$ 38,566,280</u>	<u>\$ 39,287,661</u>	<u>\$ 37,716,059</u>	<u>\$ 35,546,073</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	153.87%	159.76%	162.96%	157.30%	144.16%	131.52%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>						
District's proportion of the net pension liability	0.1694%	0.1652%	0.1804%	0.1949%	0.1976%	0.2053%
District's proportionate share of the net pension liability	\$ 49,362,899	\$ 44,046,185	\$ 43,067,307	\$ 38,489,418	\$ 29,127,988	\$ 23,306,549
District's covered payroll	<u>\$ 23,967,506</u>	<u>\$ 21,791,147</u>	<u>\$ 22,024,726</u>	<u>\$ 23,383,017</u>	<u>\$ 21,319,599</u>	<u>\$ 21,497,297</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	205.96%	202.13%	195.54%	164.60%	136.63%	108.42%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Santa Barbara Community College District  
Schedule of District Contributions for Pensions  
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>						
Contractually required contribution	\$ 6,827,292	\$ 6,517,239	\$ 5,389,209	\$ 4,851,638	\$ 4,215,566	\$ 3,349,186
Contributions in relation to the contractually required contribution	<u>6,827,292</u>	<u>6,517,239</u>	<u>5,389,209</u>	<u>4,851,638</u>	<u>4,215,566</u>	<u>3,349,186</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 39,925,684</u>	<u>\$ 40,032,181</u>	<u>\$ 37,347,256</u>	<u>\$ 38,566,280</u>	<u>\$ 39,287,661</u>	<u>\$ 37,716,059</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>						
Contractually required contribution	\$ 4,634,825	\$ 4,329,011	\$ 3,384,383	\$ 3,058,794	\$ 2,770,186	\$ 2,509,530
Contributions in relation to the contractually required contribution	<u>4,634,825</u>	<u>4,329,011</u>	<u>3,384,383</u>	<u>3,058,794</u>	<u>2,770,186</u>	<u>2,509,530</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 23,501,978</u>	<u>\$ 23,967,506</u>	<u>\$ 21,791,147</u>	<u>\$ 22,024,726</u>	<u>\$ 23,383,017</u>	<u>\$ 21,319,599</u>
Contributions as a percentage of covered payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

**Note 1 - Purpose of Schedules**

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

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the total OPEB liability. As of June 30, 2020, the District had no assets accumulated in a trust that meets the criteria outlined in paragraph 4 of GASB Statement No. 75 to related OPEB benefits. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.

*Changes of Assumptions* - Changes of assumptions and other inputs reflect a change in the discount rate from 3.50 percent to 2.20 percent since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net OPEB liability - MPP program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.

*Changes of Assumptions* - The plan rate of investment return assumption was changed from 3.87 percent to 3.50 percent since the previous valuation.

**Schedule of the District's Proportionate Share of the Net Pension Liability**

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

*Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

*Changes of Assumptions* - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

**Schedule of District Contributions for Pensions**

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



Supplementary Information  
June 30, 2020

**Santa Barbara Community  
College District**



Santa Barbara Community College District was established in 1964. There were no changes in the boundaries of the District during the current year. The District's college is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

**BOARD OF TRUSTEES**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. Robert K. Miller	President	2020
Dr. Peter O. Haslund	Vice-President	2022
Mr. Craig Nielsen	Member	2020
Ms. Kate Parker	Member	2022
Ms. Marsha S. Croninger	Member	2022
Mr. Jonathan Abboud	Member	2022
Ms. Veronica Gallardo	Member	2020

**ADMINISTRATION**

Dr. Utpal Goswami	Superintendent/President
Dr. Pamela Ralston	Executive Vice President, Educational Programs
Ms. Lyndsay Maas	Vice President, Business Services
Mr. Michael Shanahan, Esq.	Vice President, Human Resources
Vacant	Vice President, Information Technology
Ms. Melissa Moreno	Vice President, School of Extended Learning

**Auxiliary Organization in Good Standing**

The Foundation for Santa Barbara City College, established 1976  
 Master agreement revised September 1999  
 Geoff Green, Chief Executive Officer

Santa Barbara Community College District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed to Subrecipients
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063		\$ 13,083,148	\$ -
Federal Pell Grant Program - Admin Allowance	84.063		17,470	-
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		276,090	-
Federal Direct Student Loans	84.268		6,872,082	-
Federal Work-Study Program	84.033		381,473	-
Subtotal Student Financial Assistance Cluster			<u>20,630,263</u>	<u>-</u>
COVID-19: CARES Act Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		2,005,000	-
Title III - STEM	84.031C		728,714	-
Title V - Hispanic Serving Institutions	84.031S		565,441	108,993
Subtotal			<u>1,294,155</u>	<u>108,993</u>
Passed through from California Department of Education (CDE)				
Adult Basic Education and ELA	84.002A	14508	143,320	-
Adult Secondary Education	84.002A	13978	550	-
English Literacy and Civics Education	84.002A	14109	73,945	-
Subtotal			<u>217,815</u>	<u>-</u>
Passed through from California Community Colleges Chancellor's Office (CCCCO)				
CTE Transitions	84.048A	19-C01-053	46,195	-
Career and Technical Education Act, Perkins Title I, Part C	84.048A	19-C01-053	643,273	-
Perkins Title I, Part B Regional Consortium	84.048	19-150-005	220,000	-
Subtotal			<u>909,468</u>	<u>-</u>
Total U.S. Department of Education			<u>25,056,701</u>	<u>108,993</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed through from California Community Colleges Chancellor's Office (CCCCO)				
Temporary Assistance for Needy Families (TANF)	93.558	[1]	34,342	-
Foster and Kinship Care Education Program	93.658	[1]	49,525	-
Total U.S. Department of Health and Human Services			<u>83,867</u>	<u>-</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed through from California Department of Education (CDE)				
Child and Adult Care Food Program	10.558	42-6929-00-05	16,572	-
<b>NATIONAL SCIENCE FOUNDATION</b>				
Research and Development Cluster				
Passed through The Regents of the University of California, Santa Barbara				
COASTAL STEM Teach & Learn	47.076	KK2018	8,555	-
ESTEEM Enhancing Success in Transfer Education for Engineering Majors	47.076	KK1729	161,997	-
Total Research and Development Cluster			<u>170,552</u>	<u>-</u>
<b>U.S. DEPARTMENT OF VETERANS AFFAIRS</b>				
Post-9/11 Veterans Educational Assistance	64.028		12	-
Total Expenditures of Federal Awards			<u>\$ 25,327,704</u>	<u>\$ 108,993</u>

[1] - Pass-Through Entity Identifying Number is Unavailable  
See Note to Supplementary Information

Santa Barbara Community College District  
Schedule of Expenditures of State Awards  
Year Ended June 30, 2020

Program	Program Revenues			Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Unearned Revenue		
Adult Basic ED ESL Grant	\$ 24,824	\$ -	\$ -	\$ 24,824	\$ -
AEBG - Adult Ed Block Grant	1,106,152	-	832,637	273,515	273,515
AEBG Adult Education Program	710,282	-	253,140	457,142	457,142
BFAP Board Financial Assistance	478,329	-	-	478,329	478,329
Cal Grant	1,567,082	-	-	1,567,082	1,567,082
Cal Works	172,835	-	24,587	148,248	148,248
California College Promise AB19	1,803,989	-	17,468	1,786,521	1,786,521
California State Preschool Program	99,002	-	-	99,002	99,002
CARE	105,287	-	-	105,287	105,287
Child Development Program	861	-	-	861	861
Child Development Training	2,626	-	808	1,818	1,818
CTE Data Unlock Sub Award	50,000	-	50,000	-	-
Disabled Students Programs	1,677,743	-	61,003	1,616,740	1,616,740
DSN - Global Trade and Logistics	128,257	-	-	128,257	128,257
Extended Opportunity Program and Services	1,364,833	-	-	1,364,833	1,364,833
Faculty & Staff Development	59,917	-	40,848	19,069	19,069
Financial Aid Media Campaign (even year)	875,794	-	-	875,794	875,794
Financial Aid Media Campaign (odd year)	-	4,660,816	-	4,660,816	4,660,816
Financial Aid Technology	262,758	-	-	262,758	262,758
Foster Parent Grant (60%)	75,700	-	-	75,700	75,700
Guided Pathways	787,869	-	537,450	250,419	250,419
Hunger Free Campus Support Year 2	137,645	-	80,681	56,964	56,964
Incarcerated Student ReEntry Prog	45,455	-	29,523	15,932	15,932
K-12 Strong Workforce	10,944,429	-	3,305,001	7,639,428	7,639,428
Mental Health Support Allocation	93,268	-	-	93,268	93,268
MESA Program (even year)	-	20,247	-	20,247	20,247
MESA Program (odd year)	-	30,887	-	30,887	30,887
Nursing Program Support	211,278	-	-	211,278	211,278
Regional Consortia One Time Fund	57,143	-	18,828	38,315	38,315
Regional Data Unlock Sub Award	6,025	-	6,025	-	-
Regional Directors Employer Engage	160,000	-	39,472	120,528	120,528
Staff Diversity	50,000	-	30,165	19,835	19,835
Staff Diversity	61,108	-	50,000	11,108	11,108
Strong Workforce	9,996,128	-	9,996,128	-	-
Strong Workforce - Local SBCC Year 2	425,054	-	-	425,054	425,054
Strong Workforce - Local SBCC Year 3	1,151,682	-	288,932	862,750	862,750
Strong Workforce - SBCC Regional Year 2	387,440	-	-	387,440	387,440
Strong Workforce Region Consortium	8,575,310	-	7,425,517	1,149,793	1,149,793
Strong Workforce Region Consortium	15,725	-	-	15,725	15,725
Strong Workforce Regional Consortium Year 3	3,943,092	-	-	3,943,092	3,943,092
Strong Workforce SBCC Regional Yr 3	744,005	-	469,044	274,961	274,961
Student Equity Achievement Even Yr	4,264,952	-	1,136,135	3,128,817	3,128,817
Student Equity Achievement Odd Yr	703,959	184,640	-	888,599	888,599
Student Success Completion Grant	1,375,550	-	-	1,375,550	1,357,566
Textbook Affordability Program	33,813	-	26,224	7,589	7,589
Umoja Community Ed Foundation	31,775	-	6,791	24,984	24,984
Vetrans Resource Center	113,995	-	94,999	18,996	18,996
<b>Total State Program Expenditures</b>	<b>\$ 54,882,971</b>	<b>\$ 4,896,590</b>	<b>\$ 24,821,406</b>	<b>\$ 34,958,155</b>	<b>\$ 34,915,347</b>

Santa Barbara Community College District  
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance  
Year Ended June 30, 2020

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2019 only)			
1. Noncredit*	139.35	-	139.35
2. Credit	662.58	-	662.58
B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)			
1. Noncredit*	152.56	-	152.56
2. Credit	232.47	-	232.47
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	6,334.87	-	6,334.87
(b) Daily Census Contact Hours	447.83	-	447.83
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	1,003.89	-	1,003.89
(b) Credit	861.01	-	861.01
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	1,783.84	-	1,783.84
(b) Daily Census Procedure Courses	1,381.46	-	1,381.46
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	12,999.86	-	12,999.86
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	294.51	-	294.51
2. Credit	146.45	-	146.45
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	432.76	-	432.76
Centers FTES			
1. Noncredit*	1,099.07	-	1,099.07
2. Credit	793.91	-	793.91

\* Including Career Development and College Preparation (CDCP) FTES.

Santa Barbara Community College District  
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation  
 Year Ended June 30, 2020

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 19,172,597	\$ -	\$ 19,172,597	\$ 19,172,597	\$ -	\$ 19,172,597
Other	1300	18,098,029	-	18,098,029	18,098,029	-	18,098,029
Total Instructional Salaries		37,270,626	-	37,270,626	37,270,626	-	37,270,626
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	5,330,973	-	5,330,973
Other	1400	-	-	-	1,364,672	-	1,364,672
Total Noninstructional Salaries		-	-	-	6,695,645	-	6,695,645
Total Academic Salaries		37,270,626	-	37,270,626	43,966,271	-	43,966,271
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	17,446,941	-	17,446,941
Other	2300	-	-	-	653,181	-	653,181
Total Noninstructional Salaries		-	-	-	18,100,122	-	18,100,122
Instructional Aides							
Regular Status	2200	2,263,437	-	2,263,437	2,263,437	-	2,263,437
Other	2400	1,029,228	-	1,029,228	1,032,028	-	1,032,028
Total Instructional Aides		3,292,665	-	3,292,665	3,295,465	-	3,295,465
Total Classified Salaries		3,292,665	-	3,292,665	21,395,587	-	21,395,587
Employee Benefits	3000	16,936,321	-	16,936,321	27,174,284	-	27,174,284
Supplies and Material	4000	-	-	-	881,338	-	881,338
Other Operating Expenses	5000	491,484	-	491,484	9,417,228	-	9,417,228
Equipment Replacement	6420	-	-	-	57,706	-	57,706
Total Expenditures Prior to Exclusions		57,991,096	-	57,991,096	102,892,414	-	102,892,414

See Note to Supplementary Information

Santa Barbara Community College District  
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation  
 Year Ended June 30, 2020

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 362,144	\$ -	\$ 362,144	\$ 362,144	\$ -	\$ 362,144
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	94,586	-	94,586
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	595,838	-	595,838
Objects to Exclude							
Rents and Leases	5060	-	-	-	314,628	-	314,628
Lottery Expenditures							
Academic Salaries	1000	780,732	-	780,732	905,033	-	905,033
Classified Salaries	2000	99,367	-	99,367	440,422	-	440,422
Employee Benefits	3000	335,927	-	335,927	539,655	-	539,655
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	172	-	172
Instructional Supplies and Materials	4300	-	-	-	252	-	252
Noninstructional Supplies and Materials	4400	-	-	-	17,718	-	17,718
Total Supplies and Materials		-	-	-	18,142	-	18,142

Santa Barbara Community College District  
 Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation  
 Year Ended June 30, 2020

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 187,374	\$ -	\$ 187,374
Capital Outlay	6000						
Library Books	6300	-	-	-	18	-	18
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	5,338	-	5,338
Equipment - Replacement	6420	-	-	-	4,482	-	4,482
Total Equipment		-	-	-	9,820	-	9,820
Total Capital Outlay					9,838		9,838
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		1,578,170	-	1,578,170	3,467,660	-	3,467,660
Total for ECS 84362, 50 Percent Law		\$ 56,412,926	\$ -	\$ 56,412,926	\$ 99,424,754	\$ -	\$ 99,424,754
Percent of CEE (Instructional Salary Cost/Total CEE)		56.74%		56.74%	100.00%		100.00%
50% of Current Expense of Education					\$ 49,712,377		\$ 49,712,377

Santa Barbara Community College District  
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements  
Year Ended June 30, 2020

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There were no adjustments to the Annual Financial and Budget Report (CCFS-311), which required reconciliation to the audited financial statements at June 30, 2020.



Santa Barbara Community College District  
 Proposition 30 Education Protection Account (EPA) Expenditure Report  
 Year Ended June 30, 2020

Activity Classification	Object Code				Unrestricted
EPA Revenue:	8630				\$ 6,717,555
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 6,717,555	\$ -	\$ -	\$ 6,717,555
Total Expenditures for EPA		\$ 6,717,555	\$ -	\$ -	\$ 6,717,555
Revenues Less Expenditures					\$ -

Santa Barbara Community College District  
 Reconciliation of Governmental Funds to the Statement of Net Position  
 Year Ended June 30, 2020

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Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance:

General funds:

General fund - unrestricted	\$ 25,428,215
General fund - restricted	1,891,017

Debt service funds:

Bond interest and redemption	3,442,266
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Special revenue funds:

Food services	102,090
Child development	5,370

Capital project funds:

Equipment and construction	16,306,015
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Enterprise funds:

Campus store	6,753,086
Center for Lifelong Learning	111,435

Internal service funds:

Self insurance	19,896
Other internal service	1,534

Fiduciary funds:

Associated student body	9,715
Student representation fee trust	125,358
Student financial aid	333,296
Scholarship and loan trust	94,018
Other trust	<u>1,322,070</u>

Total fund balance - All district funds	\$ 55,945,381
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	237,280,202
Accumulated depreciation is	(92,111,488)
Less fixed assets already recorded in the enterprise funds	<u>(4,497,208)</u>

Total capital assets	140,671,506
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Amounts held in trust on behalf of others (trust funds)	(1,551,161)
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In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.

(1,094,438)
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Santa Barbara Community College District  
 Reconciliation of Governmental Funds to the Statement of Net Position  
 Year Ended June 30, 2020

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Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the governmental funds.

Deferred outflows of resources amounted to and related to:

Charge on refunding	\$ 3,069,667
Aggregate net pension liability	29,707,469
Aggregate net other post employment benefits	<u>494,650</u>

Total deferred outflows of resources	\$ 33,271,786
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Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and relate to:

Aggregate net pension liability	(13,385,080)
Aggregate net other post employment benefits	<u>(1,001,974)</u>

Total deferred inflows of resources	(14,387,054)
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Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.

(110,959,140)

Aggregate net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.

(8,025,324)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds payable, includes premium	(65,744,223)
Compensated absences	(2,222,754)
Teacher load units	(1,340,556)
Supplemental employee retirement plan	<u>(1,605,451)</u>

Total long-term liabilities	<u>(70,912,984)</u>
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Total net position	<u><u>\$ 22,958,572</u></u>
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## **Note 1 - Purpose of Schedules**

### **District Organization**

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations as of June 30, 2020.

### **Schedule of Expenditures of Federal Awards**

#### **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

#### **Summary of Significant Accounting Policies**

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

#### **Indirect Cost Rate**

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

### **Schedule of Expenditures of State Awards**

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California Community Colleges Chancellor's Office.

### **Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance**

FTES is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

#### Reconciliation of Education Code Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

#### **Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's audited financial statements.

#### **Proposition 30 Education Protection Account (EPA) Expenditure Report**

This schedule provides information about the District's EPA proceeds and summarizes the expenditures of EPA proceeds.

#### **Reconciliation of Governmental Funds to the Statement of Net Position**

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.



Independent Auditor's Reports  
June 30, 2020

**Santa Barbara Community  
College District**



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

Board of Trustees  
Santa Barbara Community College District  
Santa Barbara, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Santa Barbara Community College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 20, 2021.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of This Report**

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

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

Rancho Cucamonga, California

February 20, 2021





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

Board of Trustees  
Santa Barbara Community College District  
Santa Barbara, California

### **Report on Compliance for Each Major Federal Program**

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

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

### **Opinion on Each Major Federal Program**

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

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Eide Bailly LLP*

Rancho Cucamonga, California  
February 20, 2021



## Independent Auditor's Report on State Compliance

Board of Trustees  
Santa Barbara Community College District  
Santa Barbara, California

### Report on State Compliance

We have audited Santa Barbara Community College District's (the District) compliance with the types of compliance requirements described in the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred in the table below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances.

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

## Compliance Requirements Tested

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

Section 411	SCFF Data Management Control Environment
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District reports no Apportionment for Activities Funded From Other Sources; therefore, the compliance tests within this section were not applicable.

The District did not have any projects funded under Proposition 39 Clean Energy Fund; therefore, the compliance tests within this section were not applicable.

The District reports no Apprenticeship Related and Supplemental Instruction (RSI) Funds; therefore, the compliance tests within this section were not applicable.

The District reports no attendance classes for classes To Be Arranged Hours (TBA); therefore, the compliance tests within this section were not applicable.

The District does not have any Proposition 1D and 51 State Bond Funded Projects funding; therefore, the compliance tests within this section were not applicable.

## Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state programs noted in the table above that were audited for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 California Community Colleges Chancellor's Office Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California  
February 20, 2021

**Financial Statements**

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

**Federal Awards**

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

**Identification of major Federal programs:**

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268
Title III - STEM	84.031C
Title V - Hispanic Serving Institutions	84.031S
COVID-19: CARES Act Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
Dollar threshold used to distinguish between Type A and Type B programs:	\$759,831
Auditee qualified as low-risk auditee?	Yes

**State Awards**

Type of auditor's report issued on compliance for State programs:	Unmodified
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None reported.

The following represents a significant deficiency and instance of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

**2020-001      Reporting**

Direct Programs – Department of Education  
CFDA# 84.425E  
COVID-19 - Higher Education Emergency Relief Funds – Student Aid Porttion  
Reporting  
Significant Deficiency in Internal Control Over Compliance

**Criteria or Specific Requirement**

*Section 18004(a)(1)* of The Coronavirus Aid, Relief, and Economic Security Act required that institutions that received the HEERF 18004(a)(1) Student Aid Portion award to publicly post certain information on their website no later than 30 days after their award allocation date, and update that information every 45 days thereafter.

**Condition**

During our testing over reporting for the student aid portion, we noted that the report required to be publicly available 30 days following the award becoming available was late by 18 days and therefore, the District did not meet the timeliness requirement.

**Cause**

The District believed that the timing of the 30 day reporting requirement was based on when the funds were first disbursed to students.

**Effect**

The District's 30 day report was uploaded to their website 18 days late.

**Questioned Costs**

None reported

**Context/Sampling**

The District was required to report student grant metrics and other data within 30 days of their award allocation date. The report was reviewed for compliance and determined that it was not submitted in a timely manner.

**Repeat Finding from Prior Year**

No

**Recommendation**

The District should ensure that reporting requirements and deadlines are clearly communicated to all staff, and procedures in place to ensure requirements and deadlines are met. The District should also ensure all documentation to support amounts reported is maintained in accordance with document retention guidelines.



**View of Responsible Officials and Corrective Action Plan**

The District staff misinterpreted when the 30-day timeline began for having the report available publicly. Staff understood the reporting date to be 30 days from drawing down the funds, i.e. When the District took possession of the funds, not 30 days from when the award became available. District staff now understands this was a misinterpretation of the deadline for posting the report and will work to meet the 30-day deadline in the future.

None reported.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

**Financial Statement Findings**

None reported.

**Federal Awards Findings**

None reported.

**State Awards Findings**

None reported.