ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR 2020-21

Santa Barbara County Air Pollution Control District
260 North San Antonio Road, Suite A, Santa Barbara, CA 93110
805-961-8800 • www.ourair.org

Aeron Arlin Genet
Air Pollution Control Officer

MISSION STATEMENT

Our mission is to protect the people
and the environment of Santa Barbara County
from the effects of air pollution.

Aeron Arlin Genet • Air Pollution Control Officer
260 North San Antonio Road, Suite A • Santa Barbara, CA • 93110 • 805.961.8800
OurAir.org • twitter.com/OurAirSBC

Santa Barbara County
Air Pollution Control District

Located in the State of California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2021

Prepared by:

The Fiscal Section of the Santa Barbara County Air Pollution Control District
Kristina Aguilar, CPA, Administrative Division Manager

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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

January 12, 2022

To the Governing Board of the Santa Barbara County Air Pollution Control District, and the Citizens of Santa Barbara County

Please accept the Annual Comprehensive Financial Report (ACFR) of the Santa Barbara County Air Pollution Control District (the District) for the fiscal year that ended June 30, 2021.

District management assumes full responsibility for the accuracy of the data, the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects, reported in a manner designed to present fairly the financial position and results of operations of the various funds and all disclosures necessary to enable the reader to gain an understanding of the District's financial activities.

Bartlett, Pringle & Wolf, LLP, a firm of licensed certified public accountants, has issued an unmodified ("clean") opinion on the District's financial statements for the fiscal year ended June 30, 2021. The independent auditors' report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

A federally mandated "Single Audit" was not required for the fiscal year ended June 30, 2021 because expenditures of federal funds were less than the $750,000 threshold. Therefore, there will not be a separately issued Single Audit report.

Profile of the Santa Barbara County Air Pollution Control District

The District is an independent special district charged with improving the quality of the air, and protecting the people of Santa Barbara County from the effects of air pollution. In 1970, the California Legislature gave local governments the primary responsibility for controlling air pollution from most sources except motor vehicles. In response, the District was established on September 14, 1970 to adopt measures to control stationary sources of pollution, issue permits, monitor air quality, maintain an inventory of pollution sources, and other related activities.

SANTA BARBARA COUNTY AIR POLLUTION CONTROL DISTRICT GOVERNING BOARD

Policymaking and legislative authority is vested in the governing board (Board) of the District, which consists of the five members of the County Board of Supervisors and one representative (a mayor or city councilperson) from each of the eight cities in the county, totaling thirteen (13). The Board is responsible, among other things, for adopting rules and regulations, adopting budgets, appointing committees, and appointing the Air Pollution Control Officer (APCO).

The following lists members of the governing board as of June 30, 2021.

Supervisor Das Williams, Chair
First District
Santa Barbara County Board of Supervisors

Supervisor Gregg Hart
Second District
Santa Barbara County Board of Supervisors

Supervisor Joan Hartmann
Third District
Santa Barbara County Board of Supervisors

Supervisor Bob Nelson
Fourth District
Santa Barbara County Board of Supervisors

Supervisor Steve Lavagnino
Fifth District
Santa Barbara County Board of Supervisors

Mayor Holly Sierra
Alternate – Councilmember Ed Andrisek
City of Buellton

Vice Mayor Al Clark
Alternate – Mayor Wade Nomura
City of Carpinteria

Mayor Paula Perotte, Chair
Alternate – Councilmember Stuart Kasdin
City of Goleta

Mayor Ariston Julian
Alternate – Mayor Pro Tem Tony Ramirez
City of Guadalupe

Mayor Jenelle Osborne
Alternate – Councilmember Gilda Cordova
City of Lompoc

Mayor Cathy Murillo
Alternate – Councilmember Eric Friedman
City of Santa Barbara

Mayor Alice Patino
Alternate – Mayor Pro Tem Etta Waterfield
City of Santa Maria

Mayor Charlie Uhrig
Alternate – Councilmember Mark Infanti
City of Solvang

ORGANIZATION CHART

The District, with 36.00 full-time equivalent employees, has expertise in meteorology, engineering, chemistry, planning, environmental sciences, industrial field inspection, air monitoring, public outreach, data processing, accounting, human resources, and administration.

The following chart lists the Air Pollution Control Officer and the primary divisions as of June 30, 2021.

WHAT WE DO

Our activities are guided by broad priorities, upon which narrower goals are developed, along with specific objectives (activities) to achieve those goals. The District priorities, goals, and objectives are as follows:

The District's mission is to protect the people and the environment of Santa Barbara County from the effects of air pollution.

Priority 1: Protection of Public Health Through Air Quality Improvement

Goal: Continue to implement programs which directly reduce emissions.

Objectives:

- Adopt new rules and regulations which cost-effectively reduce emissions.
- Emphasize alternatives to "command-and-control" regulations such as pollution prevention, incentives, and social responsibility.
- Develop partnership initiatives to introduce innovative or other low polluting technology in areas not currently regulated or where technology recipients agree to go beyond regulatory requirements.
- Involve the community in pollution reduction efforts through grant programs, public education, and recognition of outstanding pollution-reduction efforts.
- Maintain a fair and consistent compliance program, with emphasis on educating the regulated community.
- Ensure a contribution by all emission sources toward emission reductions.
- Use penalties to act as a deterrent and to place emphasis on compliance.

Goal: Maintain a strong, science-based program.

Objectives:

- Place a high priority on staff training and professional advancement.
- Base decisions on well-documented data that has been subject to critical and open review.
- Maintain a sound and robust emission inventory and air quality monitoring system.
- Maintain and update the Clean Air Plan using the latest data and control techniques.
- Use the best available resources in developing programs, rules, and permit analyses.

Goal: Ensure that the District's mission and actions are aligned and routinely reviewed.

Objectives:

- Maintain and periodically update a strategic plan.
- Develop and adopt annual goals and track progress.

Goal: Ensure adequacy of resources.

Objectives:

- Improve efficiency by taking advantage of technological advances and improving District systems and processes for improvements.
- Broaden the District funding base by actively pursuing additional sources of revenue.
- Review our financial status to ensure financial stability.

Priority 2: Community Involvement

Goal: Involve the community in air quality protection.

Objectives:

- Initiate collaborative efforts and partnerships with the community around shared air quality and environmental goals.
- Offer timely information on air quality issues and upcoming events via the District's website, social media, and public information process.
- Provide the public with additional informational resources, including presentations and printed materials.
- Support the District Community Advisory Council to provide input on rules and clean air plans and to foster open communication and a collaborative approach to air quality planning.
- Conduct workshops on new rules, plans, and the budget to obtain community input.
- Reach out to community partners and the media for additional opportunities to inform the public.
- Participate in community events
- Support students and teachers in efforts to learn about air quality and the environment.

Priority 3: Continuously Improve Service

Goal: Maintain and improve relationships with all constituents.

Objectives:

- Keep the Board well informed.
- Provide opportunities for public input to decisions which affect them.
- Train staff in customer service and reward good service.
- Survey constituents regarding the quality of service received.
- Tap employee expertise, reward high performance, and push decisions down to the lowest level at which they can be competently made.

DIVISION RESPONSIBILITIES

Engineering Division staff: issues permits, and works with businesses to help them comply with permits; implements the federal Title V program for large sources of air pollution; and implements the State's air toxics "Hot Spots" program for sources of toxic air pollution.

The Administrative division includes administrative overhead, fiscal and executive services, human resources, and information technology section.

Compliance Division staff: provides initial and ongoing inspection and enforcement services to applicants and operators of stationary sources of air pollution. Perform random surveillance activities; reply to public nuisance complaints regarding odors, smoke and dust; implement the federal Asbestos program; inspect equipment under the Statewide Portable Equipment Registration Program (PERP); inspect our local agricultural engine registrations; and in coordination with Santa Barbara County Fire, implement our burn programs (e.g., agricultural burns, prescribed burns).

Planning Division staff: oversees the District's air monitoring network, in addition to providing planning and rule development and coordinating with planning departments around the country. Conducts outreach, including grant programs to promote clear technologies, presentations to schools and community groups, and partners with local agencies and organizations. Reviews discretionary actions by the County and cities, provides comments on air quality issues, and is responsible for ensuring compliance with the California Environmental Quality Act (CEQA). Grants administered by the Division include incentives for replacing higher-emitting cars, school buses, off-road equipment, and marine diesel engines with newer, cleaner engines. In addition, the Planning Division initiates and supports collaborative efforts to reduce emissions from unregulated sources, such as programs to reduce emissions from marine shipping (Protecting Blue Whales and Blue Skies) or tourists' vehicles (Santa Barbara Car Free). The Division is implementing the legislative requirements and incentive programs associated with the state's AB 617 program and is responsible for overseeing the District's air monitoring network.

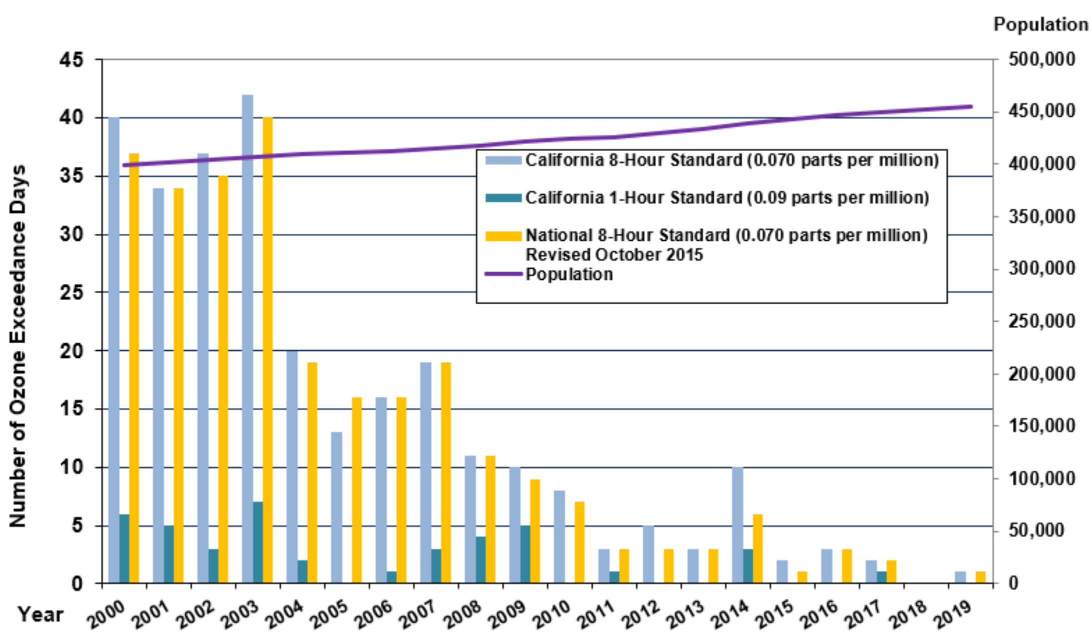
OUR AIR QUALITY

Ozone forms in the atmosphere when precursor pollutants such as nitrogen oxides (NOx) and reactive organic compounds (ROCs) undergo complex chemical reactions in the presence of sunlight. Other factors that contribute to high ozone levels include intense and prolonged heat, and stagnant air. Santa Barbara County's air quality has historically violated ambient air quality standards for ozone that were established by the state and federal Clean Air Acts. Ozone concentrations above these standards adversely affect public health, diminish the production and quality of many agricultural crops, reduce visibility, and damage native and ornamental vegetation.

In 1970, when the District was formed, the air in Santa Barbara did not meet the federal one-hour ozone standard. For 30 years, our efforts focused on attaining that standard. On August 8, 2003, Santa Barbara County was officially designated an attainment area for the federal one-hour ozone standard. Furthermore, United States Environmental Protection Agency (USEPA) has designated Santa Barbara County as attainment for the 2008 federal eight-hour ozone standard (0.075 parts per million). The eight-hour standard replaced the previous federal one-hour standard. On December 28, 2015, the US EPA strengthened the federal eight-hour ozone standard to 0.070 ppm; Santa Barbara County was designated unclassifiable/attainment for the 2015 revised standard on April 30, 2018.

Until recently, the District did not meet the California ozone standards, of which there are two; a one-hour standard of 0.09 ppm (established in 1988), and an eight-hour standard of 0.070 ppm (established in 2005). The number of recorded exceedances of the standard have trended down over the last several years while population has increased, as demonstrated in the chart below. In fact, for the most recent 3-year data set (2016-2018), after excluding measurements that are considered extreme events, there were no violations of the state ozone standards. In December 2019, the California Air Resources Board took action to designate Santa Barbara County as attainment with the state ozone standards. This was a first-time achievement for Santa Barbara County, which is now one of only approximately 14 counties in the state to reach that milestone. That decision is pending final approval from the state Office of Administrative Law.

Santa Barbara County Ozone Exceedance Days
2000-2019



FACTORS AFFECTING THE FINANCIAL CONDITION

Major Initiatives

The APCO, in the District's adopted budget, outlines major programs (initiatives), accomplishments, and goals aligned with the Strategic Plan as adopted by the District Board. This budget is available at https://www.ourair.org/wp-content/uploads/FY-2020-21-Adopted-budget-1.pdf

COVID-19 Pandemic Uncertainties - The COVID-19 pandemic has brought considerable economic uncertainty to the region. The economic effects of stay-at-home orders and closure of non-essential businesses, along with reduced consumer demand will impact the businesses that the District regulates. In preparation for a worst-case revenue scenario, changes to the budget were presented at the May 21, 2020 District Board hearing, and have since been incorporated into this budget document. The District analyzed potential revenue impacts for the upcoming fiscal year and developed strategies to ensure the agency can operate within reduced revenue scenarios. This analysis included a comparison of historical data on facility closure and vehicle registration rates in Santa Barbara County during the Great Recession and applied those historical reduction rates to our projected permit activity, emission fee, and vehicle registration fee estimates. To accommodate for the reductions in revenue, changes to expenditures were made to provide a balanced budget. The changes include the elimination of the Deputy Air Pollution Control Officer position, a delay in filling of one vacant Engineering staff position, and reduction in the Services and Supplies category.

Pass-Through Grant Fund Revenues - The state Legislature, through the budget adoption process, continues to place a strong emphasis on the use of funding for voluntary emission reduction programs through the network of local air districts. This action resulted in a total of over $2.2 million for Santa Barbara County projects in FY 2020-21, which is a 17.4% decrease in grant funds received in the current year. These funds will be used to continue expanding the reach of the programs that were initiated in FY 2018-19, including the grants program, Community Air Protection, and FARMER programs. These one-time revenue sources will provide $329,907 in administrative funds to implement the grants programs.

Clean Air Fund Program - With our newly created Clean Air Fund Program, the District has earmarked $200,000 of excess Notice of Violation funds from FY 2019-20 to allow the District to implement projects that do not meet the traditional grants program guidelines as defined by the state. In this year's budget, the District is expanding zero emission technologies strategies for
vehicles and landscape equipment.

Fee Revenues - The District has not proposed an increase in the Rule 210 fee schedule for regulated sources since 1991 other than the annual adjustment for Consumer Price Index (CPI) change allowed in our rules, which, for FY 2020-21, is 3.3%. However, due to COVID-19 the District will forego a CPI fee increase next fiscal year to provide financial relief to our local sources during this economic downturn.

One-Time Expenditures included in this year's budget - For FY 2020-21, the District budget includes three large one-time projects. The first one-time budget item is utilization of reserves for the purchase of an office building in north county for our north county staff. The purchase will allow the District to invest in property that will increase in value at a rate greater than what is currently occurring with our pooled cash account, while simultaneously reducing the office rental cost for our current location in Santa Maria. The second large one-time expense is the purchase of air monitoring equipment for the Santa Maria network station the District is taking over from California Air Resources Board (CARB) - additional equipment is budgeted to bring this station up to the District's normal operating specifications. Lastly, funds have been earmarked to implement the Air Quality Emergency Response Plan which includes communication tools and battery backups for the District's critical infrastructure.

Revenue Summary

The District is financed primarily through fees paid by regulated businesses, motor vehicle registration fees, and federal and state grants.

The Strategic Plan forecasted that overall fee revenue would decrease substantially for several years, and indeed, sizable revenue reductions occurred shortly after they were predicted. The fee revenue outlook has stabilized and while it is predicted revenues will grow, it is predicted that they will grow less than the CPI. The lag behind the CPI is due to positive emission reductions from new, cleaner, emission sources replacing the periodic withdrawal of older, less efficient sources.

The District has not proposed an increase in fees on regulated sources since 1991 other than the annual adjustment for CPI change pursuant to its rules. No CPI increase was implemented in FY 2020-21.

Detailed charts of fee and expenditure trends along with other demographic information can be found in the statistical section of this report.

Detailed charts of fee and expenditure trends along with other demographic information can be found in the statistical section of this report.

Internal Accounting Control Policy

District management is responsible for establishing, maintaining and evaluating the District's accounting system with an emphasis on the adequacy of an internal control structure. The internal accounting controls are designed to ensure that the assets of the government are protected against loss, theft or misuse; to ensure the reliability of adequate accounting data for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP); and, to provide reasonable, rather than absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs of control should not exceed the benefits likely to be derived from it and that the evaluation of costs and benefits require estimates and judgment be made by management.

The District's internal control evaluations occur within the above framework which ensures adequate safeguard of the District's assets and reasonable assurance of proper recording of financial transactions.

Budgetary Policy

The District maintains budgetary controls through both signature authority and automated budget checking. The objective of these controls is to ensure compliance with the annual appropriated budget approved by the Board. The accounting principles applied in developing budgetary expenditures match GAAP and the amounts reported on the financial statements. As reflected in the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

LONG-TERM FINANCIAL PLANNING

The highest hurdle to the District's long-term financial success is surviving the ups and downs of the economy. If any large regulated sources close their doors because of a downturn in the economy, it could cause a financial burden to the District due to a reduced revenue stream.

RELEVANT FINANCIAL POLICIES

Cash Management

The County of Santa Barbara provides treasury management services to the District. Cash resources of the District are invested as part of Santa Barbara County's Pooled Investment Portfolio. The County investment policy authorizes investments in United States treasury bills, bonds and notes, obligations issued by agencies of the United States Government, bankers acceptances, commercial paper, medium term notes, certificates of deposit, and the State's Local Agency Investment Fund. The fair market value of District's portfolio at June 30, 2021 is $8,926,235 (see Note III of the basic financial statements).

Risk Management

The District manages its risks of property and liability losses through commercial insurance. Commercial insurance coverages are obtained with assistance from a brokerage firm, Alliant Insurance Services, Inc. The District maintains all risk property coverage with replacement cost valuation for pooled insurable values of approximately $1,000,000,000 with a deductible of $10,000.

Loss control activities are managed by the District's staff assigned to risk management activities. Staff performs loss prevention inspections and employee safety training to minimize potential human and property losses, and establish compliance with Cal/OSHA regulations.

Acknowledgments

The preparation of this ACFR is the result of a coordinated effort by the entire District staff. We would like to acknowledge the special efforts of the Fiscal Section and our independent auditors, Bartlett, Pringle & Wolf, LLP.

Recognition is also given to the Board for its leadership and support and to all employees of the District who continue to embrace innovation and improve operations to accomplish the District mission of protecting public health.

Respectfully Submitted,

Aeron Arlin Genet	Kristina Aguilar, CPA
Air Pollution Control Officer	Administrative Division Manager

FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Santa Barbara County Air Pollution Control District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Santa Barbara County Air Pollution Control District (The District) as of and for the year ended June 30, 2021, 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 entity'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 entity'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.

1123 Chapala Street • Santa Barbara, CA 93101 • Tel: (805) 963-7811 • Fax: (805) 564-2103 • www.bpw.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Santa Barbara County Air Pollution Control District as of June 30, 2021, 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 that the Management's Discussion and Analysis on pages 20 through 32, the General Fund - Budgetary Comparison Schedule on pages 65 and 66, the Santa Barbara County Employees' Retirement System Schedule of the District's Proportionate Share of the Net Pension Liability on page 67, the Santa Barbara County Employees' Retirement System Schedule of the District's Pension Contributions on page 68, and the Santa Barbara County Employees' Retirement System Schedule of the District's Changes in the Net OPEB Asset (Liability) and Related Ratios on page 68 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 basic financial statements. The introductory section and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2022 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Bartlett, Pringle & Wolf, LLP

January 12, 2022
Santa Barbara, California

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited) As of June 30, 2021

The information in this section is not covered by the Independent Auditors' report, but is presented as required supplementary information for the benefit of the readers of the annual comprehensive financial report (ACFR).

As management of the Air Pollution Control District of the County of Santa Barbara, California (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year (FY) ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the District's basic financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

New Significant Accounting Standards Implemented

For the year ended June 30, 2021, the District implemented the following Governmental Accounting Standards Board (GASB) Pronouncement:

Statement No. 98: *The Annual Comprehensive Financial Report* was implemented early in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The adoption of this standard did not have a material impact on the District.

Future Governmental Accounting Standards Board (GASB) Statement

The Governmental Accounting Standards Board Statements listed below will be implemented in future financial statements. Each of these standards are effective for the periods beginning after June 15, 2021. These statements will be evaluated by the District to determine if they will have a material impact to the financial statements once effective.

Statement No. 87	*"Leases"*
Statement No. 89	*"Accounting for Interest Cost Incurred Before the End of a Construction Period"*
Statement No. 91	*"Conduit Debt Obligations"*
Statement No. 93	*"Replacement of Interbank Offered Rates"*
Statement No. 94	*"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"*
Statement No. 96	*"Subscription-Based Information Technology Arrangements"*

Government-wide Financial Analysis

The liabilities and deferred inflows of the District exceeded its assets and deferred outflows at the close of the most recent fiscal year by ($285,029) (*net position*):

- $780,851 represents the District's investment in capital assets, less any related outstanding debt used to acquire those assets (*invested in capital assets, net of related debt*).
- ($1,065,880) represents (*unrestricted)* net position, which may be used to finance the District's day-to-day operations without constraints established by legal requirements.
- The District's total net position decreased by ($955,524) (or 142.5%) over the prior year:
- A $74,250 increase in net position invested in capital assets, net of related debt, represents capital purchases less depreciation plus the retirement of any related long-term debt. See further discussion of capital assets on page 24.
- A $1,029,774 decrease in unrestricted net position is the change in resources available to fund District programs and obligations.

Financial Analysis of the District's General Fund

As of the close of the fiscal year, the District's governmental funds reported combined fund balances of $8,960,344. This amount represents entirely the amount of the General Fund and a decrease of (7.54%), or ($730,324) from the prior year. Of that amount, approximately 99.8% or $8,945,858 is available for spending, but bound by various levels of constraints that control the purposes for which specific amounts can be spent.

Capital Assets and Debt Administration

The District's investment in capital assets (net of accumulated depreciation) increased $74,250 (or 10.5%) to $780,851. During the fiscal year, the District purchased eight pieces of equipment and one piece of software. The District disposed of ten pieces of equipment and one fully-depreciated piece of furniture. The District recorded depreciation of $211,278 against its assets. No long-term debt currently exists related to capital assets.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements have two components:

1) Combined Government-wide and Fund Financial Statements, with GASB 34 adjustments
2) Notes to the Basic Financial Statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the District's finances, in a manner similar to commercial enterprises or a private-sector business.

The *Statement of Net Position* reports all deferred outflows and assets held, as well as deferred inflows and liabilities owed by the District, on a full accrual basis. The difference between the two is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* reports the most recent fiscal year changes to the District's net position, also on a full accrual basis. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The focus of the Statement of Activities is on the cost of various work program activities performed by the District. As a single purpose entity the statement begins, and only contains, a single column that identifies the activities of the District and can be called general revenues and expenditures. Revenues are provided before the costs that are then netted against them. The difference between the expenses and the revenues represents the draw from, or contribution to net position.

The District's government-wide financial statements are presented on pages 33 and 35, and combined with the fund financial statements.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. As a single purpose entity, the District only utilizes governmental funds to account for its activities.

Governmental Funds

Governmental funds account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information is useful in evaluating the District's near-term financing requirements. The governmental funds' focus is narrower than that of the government-wide financial statements. To understand the long-term impact of the District's near-term financing decisions, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements.

Governmental Funds (Continued)

The reconciliations of the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide financial statements facilitate the comparison between *governmental funds* and *governmental activities*.

Pages 33 and 35 of this report display the governmental funds financial statements.

The reconciliation between the *total fund balances* and *net position* can be found on page 34 and the reconciliation of the *total change in fund balances* for all governmental funds to the *change in net position* can be found on page 36.

The District adopts an annual appropriated budget for its operating fund. The budget and actual comparison statement provided for the General Fund, found on page 65 under the *required supplementary information* section, demonstrates performance against the budget.

Notes to the Basic Financial Statements

The notes to the basic financial statements, starting on page 37, provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Information in the Management's Discussion and Analysis section is not covered by the Independent Auditors' report, but is presented as required supplementary information for the benefit of the readers of the annual comprehensive financial report (ACFR).

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At the close of the most recent fiscal year, the District's total assets of $11,047,272 and deferred outflows of $4,791,544 was less than the total of liabilities of $13,264,181 and deferred inflows of $2,859,664 by ($285,029).

Analysis of Net Position

The District's total net position decreased by ($955,524), or (142.5%), during the fiscal year. As described below, the District experienced an increase in the invested in capital assets, net of related debt category, while also experiencing a decrease in the unrestricted category.

A summary of net position is as follows:

SUMMARY OF NET POSITION

	Governmental Activities		Changes	
	June 30, 2021	June 30, 2020	Dollar	Percent
Current and other assets	$ 10,266,421	$ 11,165,848	$ (899,427)	-8.1%
Capital assets	780,851	706,601	74,250	10.5%
Total assets	11,047,272	11,872,449	(825,177)	-7.0%
Deferred outflows of resources	4,791,544	4,543,010	248,534	5.5%
Current and other liabilities	13,264,181	13,480,972	(216,791)	-1.6%
Total liabilities	13,264,181	13,480,972	(216,791)	-1.6%
Deferred inflows of resources	2,859,664	2,263,992	595,672	26.3%
Net Position:				
Invested in capital assets, net of related debt	780,851	706,601	74,250	10.5%
Unrestricted	(1,065,880)	(36,106)	(1,029,774)	2852.1%
Total net position	$ (285,029)	$ 670,495	$ (955,524)	-142.5%

The components of total net position are as follows:

Invested in Capital Assets, Net of Related Debt

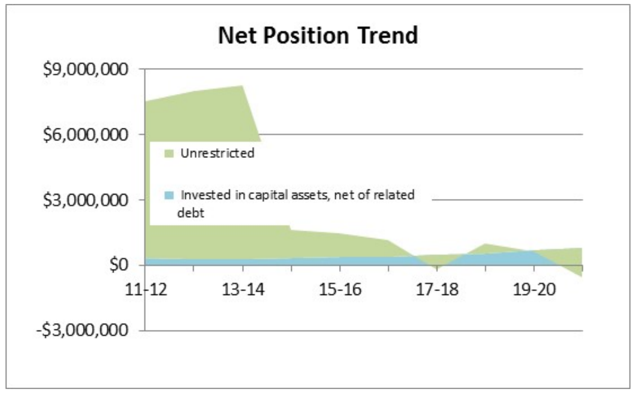
Invested in capital assets (e.g. furniture, vehicles, machinery, and equipment), less outstanding debt used to acquire those assets, equals the District's investment in capital assets (net of accumulated depreciation) at June 30, 2021 and comprises $780,851 of the District's net position. No debt is outstanding. The District uses these capital assets in carrying out its mission of protecting public health. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources since the capital assets themselves cannot be used to liquidate such liabilities. The District's investment in capital assets includes large furniture purchases for the two offices, improvements, vehicles, and equipment for air monitoring, testing, and data collection.

The increase in net position that is invested in capital assets, net of related debt, of $74,250 represents capital acquisitions, less current year depreciation and dispositions.

Unrestricted Net Position

The remaining ($1,065,880) component of the District's net position is unrestricted and represents a deficit attributable to the reflection of the District net pension liability. Some of the revenue sources, such as DMV fees, restrict expenditures for specific purposes, but do not require that they be returned if unspent in the current year. They may be used to meet the District's ongoing programs associated with them. Other revenues are discretionary and may be used for any ongoing obligations in carrying out day-to-day operations.

Unrestricted net position decreased ($1,029,774), or (2852.1%) from the previous year from ($36,106) to ($1,065,880). The chart at right provides the change in Net Position from the prior years and Net Position trend:



As of June 30, 2015 the District had to report its portion of the net pension liability within the Santa Barbara County Retirement System. As of June 30, 2018, the District reported its portion of the net OPEB asset (liability) within the Santa Barbara County Retirement System.

Analysis of Governmental Activities

The Statement of Activities for the District presents its governmental activities, its sole purpose. Governmental functions of the District are predominantly supported by fees, grants, state subvention, late payment penalties, and penalty settlements.

The primary governmental activities of the District include the following: advance clean air technology, ensure compliance with clean air rules, customer service, develop programs to achieve clean air, develop rules to achieve clean air, monitoring air quality, permit issuance review, and policy support, as well as special programs, whose funding have specific mandates.

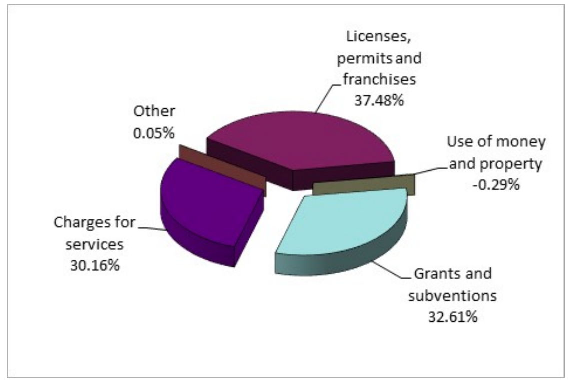
The following table shows the revenue, expenses, and changes in net position:

CHANGES IN NET POSITION

	Governmental Activities		Changes	
	June 30, 2021	June 30, 2020	Dollar	Percent
Revenues:				
Licenses, permits, and franchises	$ 3,809,214	$ 3,684,557	$ 124,657	3.4%
Use of money and property	(20,650)	192,500	(213,150)	-110.7%
Grants and subventions	3,148,846	3,493,290	(344,444)	-9.9%
Charges for services	2,931,374	3,658,341	(726,967)	-19.9%
Other	4,672	6,292	(1,620)	-25.7%
Total Revenues	9,873,456	11,034,980	(1,161,524)	-10.5%
Expenses:				
Air pollution control services:				
Salaries and benefits	6,097,907	6,707,261	(609,354)	-9.1%
Services and supplies	4,215,842	4,313,192	(97,350)	-2.3%
Other Expenses	303,953	161,222	142,731	88.5%
Depreciation	211,278	194,081	17,197	8.9%
Total Expenses	10,828,980	11,375,756	(546,776)	-4.8%
Excess (deficiency) of revenues over expenses	(955,524)	(340,776)	(614,748)	180.4%
Net Position:				
Net position - beginning	670,495	1,011,271	(340,776)	-33.7%
Net position - ending	$ (285,029)	$ 670,495	(955,524)	-142.5%

Revenues

Revenues for the District's governmental activities had an overall decrease of (10.5%) from the prior year. All of the revenues of the District were for air pollution control services and total $9,873,456 for the year ending June 30, 2021 and $11,034,980 for the year ending June 30, 2020. The chart to the right provides District revenues by object level as of June 30, 2021.



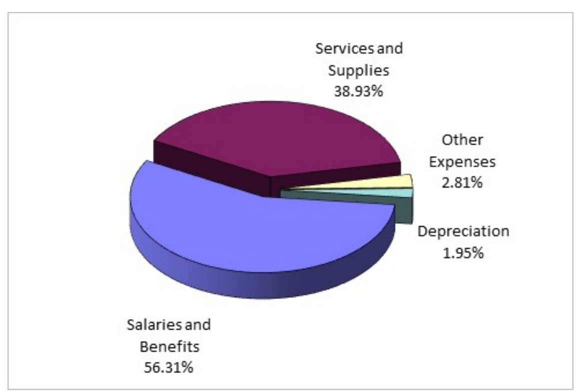
For the year ending June 30, 2021, 88.3% or $8,720,171 of District revenues are fee-based, and a chart and table on page 72 of the Statistical Section provide a breakdown of those fees. It is important to note that DMV automobile registration fees of $2,334,184 are included in the grants and subventions object level, and all of the other fees are included in either the licenses, permits, and franchises; or, charges for services object level of the Statement of Activities. The remaining revenue of $1,153,285, which is not fee-based, includes penalty settlements, State subvention, Federal EPA grants, use of money and property (interest), and revenue from other governmental agencies.

Use of money and property decreased ($213,150) (110.7%) primarily due to a decrease in interest income of $112,380, coupled with a realized loss of ($66,375), which was $100,770 less than the unrealized gain from FY 2019-20 of $34,395.

Charges for services decreased ($726,967) (19.9%) primarily due to a decrease in the grants program revenue of $696,247 and a decrease in reimbursable services of $54,505.

Expenses

All of the expenses of the District were for air pollution control services and total $10,828,980 for the year ending June 30, 2021 and $11,375,756 for the year ending June 30, 2020. The chart to the right provides the District expenses by object level as of June 30, 2021.



Salaries and benefits comprise 56.31% of the District's expenses at $6,097,907. Salaries and benefits decreased ($609,354) (9.1%) due to a smaller net pension liability adjustment in the current year.

Services and supplies comprise the second largest portion of the District's expenses at 38.93% or $4,215,842. Services and supplies decreased ($97,350) (2.3%).

Other expenses comprises 3.07% of the District's expenses at $303,953. Other expenses increased $142,731 (88.5%) primarily due to the District allowance for doubtful accounts requiring adjustment during the current fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the governmental fund balance is a useful measure of a government's resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the District's governmental funds reported an ending fund balance of $8,960,344, an decrease of ($730,324) (or 7.54%) in comparison with the prior year.

General Fund

The General Fund is the operating fund of the District, and as a single purpose entity, is the only fund type reported. One measure of the General Fund's liquidity is the comparison of spendable fund balance to total fund balance, which is 99.8%.

One measure of the General Fund's financial health is the comparison of spendable fund balance to operating expenditures, which is 84%. Spendable General Fund balance may also serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The components of total fund balance are as follows:

Nonspendable

The $14,486, acquired through employee medical spending forfeitures, is in the form of long term employee loans not to exceed $2,500 per loan under the District's employee computer automation program, assisting employees in acquiring and sharpening computer literacy skills by providing interest free loans to acquire personal computer equipment and software similar to what employees may be asked to use for District business.

Restricted

Of the $2,464,970, $787,448 is restricted to the DMV $2 program, $1,432,842 is restricted to the grants program, both as part of legislation with very restrictive spending limitations. Additionally, $242,014 is restricted to the DMV $4 program. Finally, $2,666 of unrealized gains under GASB 31 are restricted.

Committed

Of the $6,480,888, $550 is in the form of imprest, or petty, cash and is kept on hand, as opposed to in the bank. $55,906 is committed to ITG projects as part of mitigation agreements with broad spending parameters. $335,131 is committed to monitoring activities, $306,274 to data acquisition system activities, and $518,149 to replace furniture, equipment, and vehicles. $1,500,000 is a strategic reserve to match 15% of revenues in an effort to provide in case of large emergencies or contingencies. $129,540 is committed for clean air projects and is funded by excess notice of violation revenue. $800,000 is committed to the Re-evaluation Cycle revenue stabilization policy in an effort to provide fiscal stability for re-evaluation revenue that fluctuates in three-year cycles. $2,354,438 is committed to operational activities for fiscal prudence in managing the budgetary condition of the District, and $480,900 is committed to fund the District's retiree health subsidy. The District was notified during the FY that the retiree health subsidy is now fully funded. The District will work with the Board to figure out what to do with these funds in future fiscal years.

A detailed schedule of fund balances can be found in Note II of the notes of the basic financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets was $780,851 (net of accumulated depreciation of $1,536,194) at June 30, 2021 representing an increase of $74,250 (or 10.5%) over the prior year. This investment in capital assets includes furniture, laboratory equipment, air monitoring stations, computer and office equipment, leasehold improvements and District vehicles, which are mostly hybrid vehicles.

During the fiscal year, the District purchased eight pieces of equipment and one piece of software. The District disposed of ten pieces of equipment and one fully-depreciated piece of furniture. Whenever possible, the District donates old equipment to other districts, and old computers to schools. Additional information on the capital assets can be found in Note V of the notes to the basic financial statements.

DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Deferred Outflows of Resources

This classification balance, although similar to "assets," is set apart because these items do not meet the technical definition of being a District asset on the date of these financial statements. In other words, these amounts are not available to pay liabilities in the way assets are available. When all the recognition criteria are met, the deferred outflow of resources will become an expense/expenditure.

The most significant deferred outflows of resources reported are related to the implementation of GASB Statement No. 68 and GASB Statement No. 71 for pension liability reporting, as well as GASB Statement No. 75 for postemployment benefits other than pensions (OPEB) reporting. Consequently, the majority of the deferred outflows of resources reported are comprised of current year contributions to the retirement system. However, there may be some deferred outflows of resources attributable to the various components that impact pension changes, and can include investment changes amortization, changes due to actuarial assumptions, and differences between expected or actual experience (see Note XI and XII for more information on deferred outflows of resources and deferred inflows of resources).

Deferred Inflows of Resources

Deferred inflows of resources are the counterpart to deferred outflows of resources on the Statement of Net Position. Deferred inflows of resources are not technically liabilities of the District as of the date of the financial statements. When all the recognition criteria are met, the deferred inflow of resources will become revenue or an increase to net position.

Deferred inflows of resources related to pensions represent a net amount attributable to the various components that impact pension changes, and can include investment changes amortization, changes due to actuarial assumptions, and differences between expected or actual experience (see Note XI and XII for more information on deferred outflows of resources and deferred inflows of resources).

GENERAL FUND BUDGETARY HIGHLIGHTS

A General Fund Budgetary Comparison Schedule can be found on page 65 that compares fiscal year 2020-21 original budget to the adopted budget. There were no changes from the original budget to the adopted budget.

Variances with Final Budgeted Amounts

While there were no variances out of budgetary or legal compliance, this resulted in a positive variance of $3,274,251 between the final adopted budget and actual amount. The following factors contributed to this variance.

<u>Revenues</u>

Charges for Services – Income from the grants program was lower than anticipated, by $298,200, in addition to a lower level of reimbursable services revenue than budget of $172,617. These two changes comprise the reduction of ($410,538) for this revenue category.

Expenditures

Services and Supplies – Expenses were $1,777,191 lower than originally budgeted primarily due to less expenditures outside of passthrough specifically for professional services, as well as continued focus on reducing expenditures when possible.

Capital Outlay – Expenses were $1,813,254 lower than originally budgeted primarily due to the delays in timing with respect to anticipated projects and the purchase of the North County building taking place in September 2021.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following known factors were considered in preparing the District's budget for FY 2021-22.

Revenues

- The onset of the COVID-19 pandemic occurred during the District's budget development and adoption process last fiscal year (FY 2020-21). This unforeseen scenario brought considerable economic uncertainty to the region. In response, the District developed a conservative budget with anticipated revenue reductions and limited expenditures to ensure the agency can operate within a balanced budget. Throughout FY 2020-21, the District closely monitored revenues and expenditures to gauge the actual ramifications to our approved budget. Quarterly fiscal status updates were provided to the Board that tracked important revenue indicators such as permit applications and DMV revenue. To date, the District is fortunate to experience only a limited impact of approximately 2% reduction in anticipated revenue directly related to COVID-19 implications. These impacts are the result of two factors: 1) staff limitations to inspect facilities with confined spaces and 2) interest received for the agency's fund balance accounts are underperforming and not being realized as budgeted. As we move forward to FY 2021-22, the District anticipates lingering impacts to our revenue stream that will likely return to normal operation status towards the end of this fiscal year. To accommodate for these minor reductions, the proposed budget for FY 2021-22 incorporates conservative revenue predictions along with limited expenditures to ensure long-term fiscal stability of the agency.
- The State Legislature, through the budget adoption process, continues to place a strong emphasis on the use of funding for voluntary emission reduction programs through the network of local air districts. This action resulted in a total of over $2.5 million for Santa Barbara County projects in FY 2021-22, approximately $400,000 less than the prior fiscal year. These funds will be used to continue expanding the reach of the programs that were initiated in FY 2018-19, including the grants program, Community Air Protection, and FARMER programs. The grant funds help local business and organizations clean up technologies to secure immediate emission reductions. Project categories include agricultural equipment, marine vessels, school and transit buses, old car buy back, and electric vehicle infrastructure. Throughout FY 2021-22, these one-time revenue sources will provide $279,739 in administrative funds to implement the grants programs. Included in Governor Newsom's proposed budget for the state of California, was the reauthorization of the grants program and the $2 DMV revenue beyond the current December 30, 2023 sunset

date. The District is working closely with the California Air Pollution Control Officers Association to provide supporting information to secure reauthorization of these effective emission reduction grant programs.

- With the newly created Clean Air Fund Program, the District has earmarked $125,000 of excess Notice of Violation funds from FY 2020-21 to allow the District to implement projects that do not meet the traditional grant program guidelines as defined by the state. In this year's budget, the District is proposing two programs: one to expand on zero emission technologies strategies for vehicles through a partnership that will accelerate electric vehicle infrastructure throughout the county, and the second program proposed is a pilot project to distribute residential air purifiers to low income communities to create clean air rooms in their homes.
- The District has not proposed an increase in the Rule 210 fee schedule for regulated sources since 1991 other than the annual adjustment for Consumer Price Index (CPI) change allowed in our rules, which, for FY 2021-22, is 1.0%. Due to COVID-19 the District decided to forego a CPI fee increase of 3.3% last fiscal year in order to provide financial relief to our local sources during a time of economic uncertainty. The District would like to capture last year's foregone CPI increase over the next two years. That means this year a "makeup" CPI of 1.65% will also be applied to fees, making it a total CPI increase for FY 2021-22 of 2.65%. Barring another unforeseen period of economic uncertainty, the other 1.65% will be included in next year's budget for consideration.

Expenditures

- For FY 2021-22, the District budget includes three large one-time projects. The first onetime budget item is to create resilience within our monitoring network by purchasing battery backup systems for two monitoring stations: one in Santa Barbara and one in Santa Maria. This will allow these stations to continue to run during a PSPS event or any emergency where power is lost. Being able to collect and distribute air quality data during these events will benefit the county and all who use the District's website for current air quality conditions. The second large one-time expense is to conduct a fee study for the District's fees. This hasn't been performed in over 20 years and the goal is to verify that the District is capturing 100% cost recovery for the programs that we run. The information received during this study will help the District figure out a plan moving into the future regarding fees. Lastly, the funds budgeted to purchase a building in northern Santa Barbara County for FY 2020-21, has been rolled over into this budget due to the timing of the purchase. The building purchase opened escrow on May 26, 2021. The escrow is 120 days, therefore the funds to purchase the building will be dispersed at close of escrow (i.e., September 2021), which falls within this budget period.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report should be addressed to

Air Pollution Control District
Attn: Administrative Division Manager
260 N. San Antonio Road, Suite A
Santa Barbara, CA 93110

This report may be downloaded from the web at:

http://www.ourair.org/apcd/comprehensive-annual-financial-report/.

BASIC FINANCIAL STATEMENTS

BALANCE SHEET AND STATEMENT OF NET POSITION

As of June 30, 2021

	General Fund	Adjustments (1)	Statement of Net Position
Assets			
Cash (note III)	$ 8,300,150	$ --	$ 8,300,150
Deposits		15,000	15,000
Receivables:			
Accounts, net	912,944	--	912,944
Interest	8,239	--	8,239
Employee	717	--	717
Current assets	9,222,050	15,000	9,237,050
Net OPEB Asset (note XII)		403,286	403,286
Restricted cash and investments (note IV)	626,085	--	626,085
Capital assets, net of accumulated depreciation (note V)	--	780,851	780,851
Total assets	**$ 9,848,135**	**$ 1,199,137**	**$ 11,047,272**
Deferred outflows of resources			
Deferred pensions (note XI)	--	4,731,923	4,731,923
Deferred OPEB (note XII)	--	59,621	59,621
Total deferred outflow of resources	--	4,791,544	4,791,544
Liabilities			
Accounts payable	$ 122,511	$ --	$ 122,511
Salaries and benefits payable	139,195	--	139,195
Employee compensated absences (note VIII)	--	444,424	444,424
Current liabilities	261,706	444,424	706,130
Permit holders payable (note IV)	626,085	--	626,085
Net Pension Liability (note XI)	--	11,931,966	11,931,966
Total liabilities	**887,791**	**$ 12,376,390**	**13,264,181**
Deferred inflows of resources			
Deferred pensions (note XI)	--	2,778,330	2,778,330
Deferred OPEB (note XII)	--	81,334	81,334
Total deferred inflows of resources	**--**	2,859,664	2,859,664
Fund balances/Net position:			
Fund balances (note II):			
Nonspendable	14,486	(14,486)	
Restricted	2,464,970	(2,464,970)	
Committed	6,480,888	(6,480,888)	--
Total fund balances	8,960,344	(8,960,344)	--
Total liabilities and fund balances	**$ 9,848,135**		
Net position:			
Invested in capital assets, net of related debt		780,851	780,851
Unrestricted		(1,065,880)	(1,065,880)
Total net position		**$ (285,029)**	**$ (285,029)**

(1) Please see the Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position schedule on the following page.

See accompanying Notes to the Basic Financial Statements.

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO GOVERNMENT-WIDE STATEMENT OF NET POSITION

As of June 30, 2021

Fund Balances - Total Governmental Funds (General Fund)		$ 8,960,344
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets, net of accumulated depreciation, have not been included as financial resources in governmental funds activity. These capital assets are reported as an adjustment to arrive at the Statement of Net Position as capital assets of APCD as a whole.		
Capital assets	$ 2,317,045	
Accumulated depreciation	(1,536,194)	
	$ 780,851	780,851
Deposits on future furniture and equipment have not been included as financial resources in governmental funds activity. This is reported as an adjustment to arrive at the Statement of Net Position as a deposit of APCD as a whole.		15,000
Deferred pensions outflows of resources are for obligations that do not require the use of current financial resources and therefore are not reported as assets in the governmental funds.		4,731,923
Deferred OPEB outflows of resources are for obligations that do not require the use of current financial resources and therefore are not reported as assets in the governmental funds.		59,621
The net accrued OPEB asset is for obligations that do not require the use of current financial resources and therefore are not reported as an asset in the governmental funds.		403,286
All liabilities, both current and long-term, are reported in the Statement of Net Position.		
Compensated absences		(444,424)
Net Pension Liability		(11,931,966)
Deferred pensions inflows of resources are for obligations that do not require the use of current financial resources and therefore are not reported as a liability in the governmental funds.		(2,778,330)
Deferred OPEB inflows of resources are for obligations that do not require the use of current financial resources and therefore are not reported as a liability in the governmental funds.		(81,334)
Net Position of Governmental Activities		$ (285,029)

See accompanying Notes to the Basic Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2021

	General Fund	Adjustments (1)	Statement of Activities
Revenues:			
Licenses, permits, and franchises	$ 3,809,214	$ --	$ 3,809,214
Use of money and property	(20,650)	--	(20,650)
Grants and subventions	3,148,846	--	3,148,846
Charges for services	2,931,374	--	2,931,374
Other	4,672	--	4,672
Total revenues	**9,873,456**	**--**	**9,873,456**
Expenditures/expenses:			
Air pollution control services:			
Salaries and benefits	5,889,239	208,668	6,097,907
Services and supplies	4,215,842	--	4,215,842
Other expenses	303,953	--	303,953
Depreciation	--	211,278	211,278
Capital outlay	194,746	(194,746)	--
Total expenditures/expenses	**10,603,780**	**225,200**	**10,828,980**
Excess (deficiency) of revenues over expenditures/expenses	(730,324)	(225,200)	(955,524)
Fund balances/net position:			
Net position - beginning	9,690,668	(9,020,173)	670,495
Net position - ending	**$ 8,960,344**	**$ (9,245,373)**	**$ (285,029)**

(1) Please see the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-wide Statement of Activities schedule on the following page.

See accompanying Notes to the Basic Financial Statements.

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds (General Fund)		$ (730,324)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In turn, in the Government-wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Therefore, depreciation must be added, and capital outlays must be removed.		
Depreciation	$ (211,278)	
Capital outlay	194,746	
	$ (16,532)	(16,532)
Other post-employment benefits (OPEB) and pension expenses were reported in the Government-wide Statement of Activities and Changes in Net Position, but because they do not require the use of current financial resources, the increase or decrease in the net OPEB asset and net pension liability were not reported as an expenditure in the governmental funds.		
OPEB credit		33,405
Net pension expense		(181,068)
Compensated absences is reported in the Government-wide Statement of Activities and Changes in Net Position, but it does not require the use of current financial resources. Therefore, it is not reported as expenditures in governmental funds.		(61,005)
Changes in Net Position of Governmental Activities		$ (955,524)

See accompanying Notes to the Basic Financial Statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

As of June 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Air Pollution Control District (the District) of the County of Santa Barbara was formed by Santa Barbara County Board of Supervisors Resolution 70-581 in 1970. The District Board of Directors (Board) includes the five members of the County Board of Supervisors and one representative from each of the County's eight cities. The Board is the governing body of the District and is responsible for its legislative and executive control. The District was established pursuant to Section 40000 et seq. of the State of California Health and Safety Code. The District acts as a legal entity, separate and distinct from the County of Santa Barbara. As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements present the activities of the District for which the District is considered to be financially accountable.

B. New Accounting Pronouncements

For the year ended June 30, 2021, the District implemented the following Governmental Accounting Standards Board (GASB) Pronouncement:

Statement No. 98: *The Annual Comprehensive Financial Report* was implemented early in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The adoption of this standard did not have a material impact on the District.

Future Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board Statements listed below will be implemented in future financial statements. Each of these standards are effective for the periods beginning after June 15, 2021. These statements will be evaluated by the District to determine if they will have a material impact to the financial statements once effective.

Statement No. 87	*"Leases"*
Statement No. 89	*"Accounting for Interest Cost Incurred Before the End of a Construction Period"*
Statement No. 91	*"Conduit Debt Obligations"*
Statement No. 93	*"Replacement of Interbank Offered Rates"*
Statement No. 94	*"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"*
Statement No. 96	*"Subscription-Based Information Technology Arrangements"*

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District in general considers revenues available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

For the governmental funds financial statements, the District considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, licenses, permits, franchises, interest (use of money and property), charges for services, and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period.

Expenditure-driven grant revenue is recognized when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Grant revenue is recorded at the time of receipt or earlier, if the susceptible-to-accrual criteria are met.

The accounts of the District are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

The minimum number of funds is maintained consistent with legal and managerial requirements. The District is a special-purpose government engaged in a single governmental program, and is presented accordingly in the basic financial statements.

The District reports the following major governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the District except those required to be accounted for in other specialized funds.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

The basic financial statements of the District are composed of the following.

- Combined Government-wide and Governmental Fund financial statements.
- Reconciliations between the Government-wide and Governmental Fund financial statements.
- Notes to the basic financial statements.

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and investments held by the County Treasurer in a cash management investment pool (pool).

The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the County Treasurer must follow.

State statutes and the County's investment policy authorize the County Treasurer to invest in U.S. Government Treasury and Agency Securities, bankers' acceptances, commercial paper, corporate bonds and notes, repurchase agreements and the State Treasurer's Local Agency Investment Fund (LAIF).

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. LAIF is required to invest in accordance with State statutes. The Local Investment Advisory Board (LAIF Board) has oversight responsibility for LAIF. The LAIF Board consists of five members as designated by State Statute (see Note III).

2. Restricted Cash and Investments

Restricted cash and investments reflect cash received from District permit holders. These deposits are held until completion of permit holders' projects (see Note IV).

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities, and Net Position or Equity – Continued

3. Accounts Receivables and Payables

The District only accrues revenues quarterly and at fiscal year-end. Included are revenues from permits, of which a portion may not be collectible; as such the District has an allowance of $385,347 for uncollectible accounts, and accounts receivable is reported net. All accounts receivable are expected to be collected within one year. Interest receivable represents the last quarter of interest that has been earned, but not distributed as of the close of the fiscal year.

Employee receivables represent loans to assist employees in acquiring personal computer equipment and software similar to what employees may be asked to use for District business. Funding for these loans is provided from employee medical spending account forfeitures.

The District only accrues expenditures at fiscal year-end. Accrued expenses and salaries and benefits payable are for goods and services paid during the fiscal year, but will not clear the bank until after June 30, 2021. In addition, the district has a payable for deposits by permit holders (see Note IV).

4. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,"* and GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities,"* the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the District that is applicable to a future reporting period. The District has two items which qualify for reporting in this category; refer to Note XI and Note XII for detailed listings of the deferred outflows of resources the District has recognized.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has two items which qualify for reporting in this category; refer to Note XI and Note XII for detailed listings of the deferred inflows of resources the District has recognized.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities, and Net Position or Equity – Continued

5. Capital Assets and Depreciation

Equipment and furniture are valued at cost unless obtained by donation in which case the assets are recorded at the appraised value at the date of receipt. The capitalization

Thresholds are $5,000 for equipment and $25,000 for buildings and improvements (see Note V). Repair and maintenance costs are charged to current expenditures as incurred. Equipment disposed of or no longer required for its existing use is removed from the records at actual or estimated cost.

Depreciation is charged as an expense against operations, and accumulated depreciation is reported on the respective balance sheet. Property, plant, and equipment of the District are depreciated using the straight-line method over the following useful lives:

Assets	Years
Equipment:	
Automobiles and light trucks	5 to 10
General machinery and equipment	5 to 20
Furniture	7
Leasehold Improvements	20
Software	3

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

7. Employee Compensated Absences

Regular full-time employees accumulate vacation time, sick leave, compensatory time, and other leave time. Certain restrictions apply with respect to the accumulation of leave time and its payment at termination. All vacation, sick leave, compensatory time, and other leave time are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of an employee retirement (see Note VIII).

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities, and Net Position or Equity – Continued

8. Pensions

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note XI and the required supplementary information (RSI) section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the District recognizes a net pension liability, which represents the District's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Santa Barbara County Employees' Retirement System (SBCERS). The net pension liability is measured as of the District's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of the District's pension plan with SBCERS and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by SBCERS.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities, and Net Position or Equity – Continued

9. Postemployment Benefits Other Than Pensions (OPEB)

In government-wide financial statements, postemployment benefits other than pensions (OPEB) are required to be recognized and disclosed using the accrual basis of accounting (see Note XII and the required supplementary information (RSI) section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the District recognizes a net OPEB asset (liability), which represents the District's proportionate share of the excess of the total OPEB liability over the fiduciary net position of the OPEB reflected in the actuarial report provided by the Santa Barbara County Employees' Retirement System (SBCERS). The net OPEB asset (liability) is measured as of the District's prior fiscal year-end. Changes in the net OPEB asset (liability) are recorded, in the period incurred, as OPEB expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net OPEB asset (liability) that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective OPEB plan and are recorded as a component of OPEB expense beginning with the period in which they are incurred.

For purposes of measuring the net OPEB asset (liability), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Santa Barbara County Employees' Retirement System (SBCERS) Plan (Plan) and additions to/deductions from Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan 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.

Projected earnings on OPEB investments are recognized as a component of OPEB expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of OPEB expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities, and Net Position or Equity – Continued

10. Fund Equity (Fund Balances)

Portions of fund balances are nonspendable and are therefore, not available for appropriation. Spendable fund balances in the General Fund are classified based on the relative strength of the constraints that control the purposes for which the amounts can be spent (see Note II).

11. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

II. FUND BALANCES

As of June 30, 2021, fund balances of the governmental funds are classified as follows:

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

Restricted: amounts that are constrained for a specific purpose through restrictions of external parties (i.e. creditors, grantors, contributors, or laws or regulations of other governments), or by constitutional provision or enabling legislation.

Committed: amounts that can be used only for specific purposes determined by a formal action of the District Board. The District Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the District Board.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes, as expressed by (a) the Board itself or (b) a body (e.g. budget or finance committee) or the APCO to which the Board has delegated the authority to assign the amounts.

Unassigned: all other spendable amounts.

As of June 30, 2021, fund balances are composed of the following:

Fund balances:		
Nonspendable:		
Employee loans - computer automation program	$	14,486
Restricted for:		
DMV $2 Grants		787,448
Carl Moyer Grants		1,432,842
DMV $4 Programs		242,014
Unrealized Gains (GASB 31 FMV Adjustment)		2,666

II. FUND BALANCES – Continued

Fund balances - continued:

Committed to:

Imprest cash	$	550
ITG Projects		55,906
Capital Replacement		518,149
Data Acquisition System		306,274
Strategic Reserve		1,500,000
Retiree Health Subsidy		480,900
Monitoring		335,131
SEP		129,540
Reevaluation Cycle		800,000
Operational Activities		2,354,438
Total fund balances	$	8,960,344

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

III. CASH AND INVESTMENTS

Cash and investments include the cash balances of the District's General Fund and Trust Fund, which are consolidated and invested by the County Treasurer (Treasurer) in a cash management investment pool (pool), for the purpose of increasing interest earnings through investment activities. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. Interest earned on pooled investments is apportioned quarterly to District's participating funds based upon each fund's average daily deposit balance.

California Government Code statues and the County Treasury Oversight Committee set forth the various investment policies that the County Treasurer must follow. These pooled funds are reported on an amortized cost basis. All investors in the Pool proportionately share any gains or losses. Credit and market risk is unknown for the District's Pool share. The fair value of the Pool is based on the value of the Pool shares.

The Treasurer participates in the State of California Local Agency Investment Fund (LAIF). Investments in the LAIF are governed by State statutes and overseen by a five-member Local Investment Advisory Board.

The District has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2021 to support the value of shares in the pool.

III. CASH AND INVESTMENTS – Continued

Additional information and separately issued financial statements of the County of Santa Barbara can be obtained from the Santa Barbara County Auditor-Controller, PO Box 39, Santa Barbara, CA 93102-0039.

A. Custodial Credit Risk Related to Deposits

The custodial credit risk for deposits is the risk that the District will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that the District's bank deposits are insured by the Federal Depository Insurance Corporation (FDIC) up to $250,000. The remaining balance on deposit is collateralized with securities held by the pledging financial institution's agent. Per Government Code Section 53652, the depository is required to maintain a market value of at least 110% of the pledged collateral.

B. Investments

The District is a voluntary participant in the Treasurer's investment pool that is regulated by the California Government Code under oversight of the Treasurer of the State of California.

Pursuant to Section 53646 of the State of California Government Code the Treasurer prepares an *Investment Policy Statement* (Policy) annually, presents it to the Treasury Oversight Committee for review and to the Board of Supervisors for approval.

After approval, the policy is forwarded to the California Debt and Investment Advisory Commission.

The policy provides the basis for the management of a prudent, conservative investment program. Public funds are invested to provide the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the California Government Code and, in general, the Treasurer's policy is more restrictive than State law.

Types of securities in which the Treasurer may invest include U.S. Treasury and U.S. Government agency securities; State and/or local agency bonds, notes, warrants or certificates of indebtedness; bankers' acceptances; commercial paper; corporate bonds and notes; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; securities lending; bank deposits; money market mutual funds; the State of California Local Agency Investment Fund (LAIF); and the Investment Trust of California (CalTRUST).

III. CASH AND INVESTMENTS – Continued

B. Investments – Continued

1. Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Treasurer mitigates these risks by holding a diversified portfolio of high-quality investments.

The Policy sets specific parameters on the credit quality of investment purchases. Securities issued and fully guaranteed as to payment by an agency or government sponsored enterprise of the U.S. Government be rated AAA by at least two of the three major rating services, i.e. Fitch, Moody's and Standard & Poor's (S&P). Commercial paper obligations and negotiable certificates of deposit shall be rated by at least two of the three major rating services at a minimum of F1 by Fitch, P-1 by Moody's and A-1 by S&P. Corporate notes, with a maturity greater than three years, shall be rated AA by at least two of the three major rating services. Corporate notes, with a maturity of three years or less, shall be rated AA- by at least two of the three major ratings services. Corporate Temporary Liquidity Guarantee Program (TLGP) notes shall be rated AAA by one of the three major ratings services.

At the time of purchase, the Treasurer's investment policy dictates that no more than 5% of the total portfolio be invested in the securities of any single issuer, other than the U.S. Government, its agencies, and sponsored enterprises. As of the fiscal year ended June 30, 2021, the pooled investments did not exceed the 5% limit. The following is a summary of the credit quality distribution by investment type at June 30, 2021:

Investment Type	Total	% of Portfolio	Exempt from Disclosure	Minimum Legal Rating
Cash equivalents and investments in County Investment Pool	$ 8,925,685	100%	$ -	Not Rated
Total cash and investments	$ 8,925,685		$ -	

2. Custodial Credit Risk

Custodial credit risk for investments is the risk that the District will not be able to recover the value of investment securities that are in the possession of an outside party.

All securities owned by the Treasurer, on the District's behalf, are deposited in trust for safekeeping with a custodial bank different from the Treasurer's primary bank. Securities are not held in broker accounts.

III. CASH AND INVESTMENTS – Continued

B. Investments – Continued

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County Treasurer mitigates this risk by making longer-term investments only with funds that are not needed for current cash flow purposes and holding these securities to maturity.

The maturity of investments purchased is governed by a demand for funds analysis of prior periods' revenues and expenditures, and is also determined by current cash flow demands assessed on an ongoing basis. The Treasurer's Investment Policy also dictates that the final maturity date of any individual security shall not exceed five years and that long-term investments, in the aggregate, shall not exceed 75% of the portfolio.

The fair value of investments generally changes with the fluctuations of interest rates. In a rising interest rate market, the fair value of investments could decline below original cost; conversely, when interest rates decline, the fair value of investments increases. The Treasurer believes liquidity in the portfolio is sufficient to meet cash flow needs and to preclude the Treasurer from having to sell investments below original cost.

The Treasurer may purchase securities at a discount from face value to earn higher than nominal rates of return. Under GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, such discount, when realized, is considered gain rather than interest. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s).

Information about the sensitivity of the fair values of the District's investment to market interest rate fluctuation is provided by the following table that shows the average maturity date of each investment.

	Total	Remaining Maturity 12 Months or Less
Cash equivalents and investments in County Investment Pool	$ 8,925,685	$ 8,925,685
Total cash and investments	$ 8,925,685	$ 8,925,685

III. CASH AND INVESTMENTS – Continued

C. Cash and Investments Held by the Treasurer

The following is a summary of investments held by the Treasurer, on behalf of the District, as of June 30, 2021:

Statement of net position:	
Cash and investments	$ 8,926,235
Total cash and investments	$ 8,926,235

Cash and investments as of June 30, 2021 consists of the following:

Cash on hand	$ 550
Cash equivalents and investments in County Investment Pool	8,925,685
Total cash and investments	$ 8,926,235

The portion of cash and investments as of June 30, 2021, that is restricted is as follows:

Total unrestricted cash and investments	$ 8,300,150
Restricted cash and investments (note IV)	626,085
Total cash and investments	$ 8,926,235

IV. RESTRICTED CASH AND INVESTMENTS AND PERMIT HOLDERS PAYABLE

Cash and investments at June 30, 2021 that are restricted by legal or contractual requirements are listed in the following table. An offsetting permit holder's payable has also been recorded at an equivalent amount.

General Fund	
Permit holder deposits	$ 626,085
Total restricted cash and investments	$ 626,085

V. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Deletions	Transfers	Balance June 30, 2021
Governmental activities:					
Capital assets, being depreciated:					
Furniture	$ 234,800	$ 113,133	$ (164,228)	$ 113,133	$ 296,838
Equipment including Leasehold improvements	1,746,980	177,211	(156,448)	129,655	1,897,398
Software	120,274	2,535	-	-	122,809
Contruction in progress	242,788	-	-	(242,788)	-
Total capital assets, being depreciated	2,344,842	292,879	(320,676)	-	2,317,045
Less accumulated depreciation for:					
Furniture	(234,800)	(32,324)	164,228	-	(102,896)
Equipment including Leasehold improvements	(1,342,375)	(138,158)	149,097	-	(1,331,436)
Software	(61,066)	(40,796)	-	-	(101,862)
Total accumulated depreciation	(1,638,241)	(211,278)	313,325	-	(1,536,194)
Total capital assets, net	$ 706,601	$ 81,601	$ (7,351)	$ -	$ 780,851

VI. LEASE OBLIGATIONS

Operating Leases

The following is a schedule by years of future minimum rental payments required under the operating lease entered into by the District that has initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2021. The lease obligation is with the County of Santa Barbara (see Note VII).

Year Ending June 30,		
2022	$	183,121
2023		183,121
2024		183,121
2025		183,121
2026		183,121
2027-2031		915,605
2032-2033		335,722
Total Minimum Payments Required	$	2,166,932

Total rental expenditure/expense for the year ended June 30, 2021 was $241,940.

VII. RELATED PARTY TRANSACTIONS

The District utilizes the Financial Information Network of the County of Santa Barbara for the maintenance of its books and records. Financial transactions are initiated and approved by the District, and the County Auditor-Controller performs data entry, report generation, warrant issuance, and other related functions for the District.

The District is not a component unit of the County of Santa Barbara; however, the cash assets of the District are included in the basic financial statements of the County of Santa Barbara in an investment trust fund.

The District typically reimburses the County of Santa Barbara for a share of County overhead and other services costs. For the year ended June 30, 2021, the County of Santa Barbara was paid $22,521 for allocated overhead costs.

The District has one lease outstanding at June 30, 2021 with the County of Santa Barbara for the Casa Nueva building, with a 30-year term, and total minimum remaining payments of $2,166,932, respectively (see Note VI).

The District subleases a portion of its Santa Maria office to the Santa Barbara County Association of Governments (SBCAG) for $2,385 annually, plus a share of common area cost.

The District shares tenancy of Casa Nueva with SBCAG and the County and allocates costs to the co-tenants for various utilities and common area services.

VIII. EMPLOYEE COMPENSATED ABSENCES

Compensated absences are liquidated through the General Fund. The following is a summary of the employee compensated absences of the District for the year ended June 30, 2021.

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Governmental activities:					
Employee compensated absences	$ 383,419	$ 321,059	$ (260,054)	$ 444,424	$ 444,424
Total employee compensated absences	$ 383,419	$ 321,059	$ (260,054)	$ 444,424	$ 444,424

IX. COMMITMENTS AND CONTINGENCIES

The management of the District is not aware of any outstanding claims or litigation liabilities. The District recognizes as revenue, grant monies received as reimbursement for costs incurred in certain federal and state programs it administers. Although the District's grant programs have been audited through June 30, 2021, the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

X. RISK FINANCING AND BUSINESS RISKS

The Air Pollution Control District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. These risks are covered by commercial insurance purchased from independent third parties. There have been no reductions in insurance coverage as compared to the previous year, only changes in how the types of coverage and deductibles are described. It should also be noted that there aren’t any incurred but not reported (IBNR) claims payable for the year ending June 30, 2021. For the past three fiscal years, no settlement amounts have exceeded insurance coverage.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the District operates. While it is unknown how long these conditions will last and what, if any, the financial effect will be to the District, the District could be impacted by declining revenue if economic conditions worsen. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including expected credit losses on receivables.

XI. RETIREMENT PLAN

A. Plan Description

The Santa Barbara County Employees' Retirement System (Retirement System) was established on January 1, 1944, and is administered by the Board of Retirement to provide service retirement, disability, death, and survivor benefits for its employees and contracting districts. It is governed by the California Constitution, California State Government Code § 31450 (County Employees' Retirement Law of 1937 (CERL)), and the bylaws, policies and procedures adopted by the Retirement System's Board of Retirement. The Santa Barbara County Board of Supervisors may also adopt resolutions, as permitted by the CERL, which may affect the benefits of the Retirement System members.

The Retirement System operates a cost sharing multiple-employer defined benefit plan. Members include all permanent employees working full time or at least 50% part time for the District, as well as the County of Santa Barbara (County), Carpinteria-Summerland Fire Protection District, Mosquito and Vector Management District of Santa Barbara County, Goleta Cemetery District, Santa Maria Cemetery District, Oak Hill Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Santa Barbara County Association of Governments, and the Santa Barbara County Superior Court. The Retirement System has one District retirement plan with four tiers, of which, one tier is currently available to new employees. All plans provide benefits as defined by law upon retirement, death, or disability of members based on age, years of service, final average salary (generally 12 highest consecutive months), and the benefit options selected.

B. Fiduciary Responsibility

The Retirement System, governed by the Board of Retirement, is a fiduciary for the accounting and control of member and employer contributions, investment income and member benefits. The Board of Retirement is responsible for establishing policies governing the administration of the retirement plan and managing the investment of the Retirement System's assets under authority granted by Article XVI of the Constitution of the State of California. Article XVI, Section 17(a) provides the Retirement Board has the "sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries." Section 17(b) further provides that "members of the Retirement Board of a public retirement system shall discharge their duties…solely in the interest of, and for the exclusive purpose of providing benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A Retirement Board's duty to its participants and their beneficiaries shall take precedence over any other duty."

B. Fiduciary Responsibility - Continued

The Board consists of nine members and two alternates. These positions are filled as follows: County Board of Supervisors appoints four, members of the Retirement System elect six (including the two alternates), and the County Treasurer-Tax Collector is an ex-officio member. The Retirement System is a legally separate entity and is not a component unit of the District. It publishes its own Annual Comprehensive Financial Report and receives its own independent audit.

Additional detailed information and separately issued financial statements of the Retirement System can be obtained at 130 Robin Hill Road, Suite 100, Goleta, CA 93117.

C. Benefits Provided

All pension plans provide benefits, in accordance with CERL regulations, upon retirement, disability or death of members. Retirement benefits are based on years of service, final average compensation, and retirement age. Employees terminating before accruing 5 years of retirement service credit (5 vesting) forfeit the right to receive retirement benefits unless they establish reciprocity with another public agency within the prescribed time period. Non-vested employees who terminate service are entitled to withdraw their accumulated contributions plus accrued interest.

Employees who terminate service after earning 5 years of retirement service credit may leave their contributions on deposit and elect to take a deferred retirement. Differences between expected or actual experience for vested and non-vested benefits may result in an increase or decrease to pension expense and net pension liability.

Service-related disability benefits are based upon final average compensation or retirement benefits (if eligible). Non-service related disability benefits are based on 1) years of service and final average compensation or 2) retirement benefits (if eligible).

Death benefits are based upon a variety of factors including whether the participant was retired or not. Annual cost-of-living adjustments (COLAs) after retirement are provided in all plans. COLAs are granted to eligible retired members each April based upon the Bureau of Labor Statistics Average Consumer Price Index (CPI) for All Urban Consumers for the Los Angeles-Riverside-Orange County area as of the preceding January 1 and is subject to an annual maximum dependent upon the provisions of the pension plans. Specific details for the retirement, disability or death benefit calculations and COLA maximums for each of the pension plans are available in the SBCERS' Annual Comprehensive Financial Report (ACFR). The SBCERS' ACFR is available online at: http://cosb.countyofsb.org/sbcers/default.aspx?id=19040.

XI. RETIREMENT PLAN - Continued

D. Contributions

Per Article 16 of the Constitution of the State of California, contribution requirements of the active employees and the participating employers are established and may be amended by the SBCERS Board of Retirement. Depending upon the applicable plan, employees are required to contribute a certain percent of their annual pay. For each of the plans, the County's contractually required contribution (formerly known as the actuarially required contribution (ARC)) rate for the year ended June 30, 2021, was a specified percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Additional amounts required to finance any unfunded accrued liability are the responsibility of the plan sponsors.

Active members are plan members who are currently accruing benefits and/or paying contributions into the applicable plan. Employer and employee contribution rates are as follows:

	APCD Plan 1	APCD Plan 2	General Plan 7	General Plan 8
Hire date	Employees hired before July 2, 1995 may continue the plan	Employees hired before August 16, 2012 and after July 3, 1995 may continue the plan	Employees hired before January 1, 2013 and after August 16, 2012 may continue the plan	All APCD employees hired on or after January 1, 2013
Benefit formula	2% @ 55	2% @ 55	1.67% @ 57.5	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-65	50-65	50-65	52-67
Monthly benefits, as a % of eligible	0.7454 - 1.5668	0.7454 - 1.5668	0.7091 - 1.4593	0.0100 - 0.0250
Required employee contribution rates	3.53 - 6.44%	7.06 - 12.88%	2.43 - 5.08%	7.27%
Required employer contribution rates	51.41%	49.42%	38.20%	42.91%

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

At June 30, 2021, the District reported a liability of $11,931,966 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. 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 Pension Plan participants, actuarially determined. For the year ended June 30, 2021, the District's proportion, measured as of June 30, 2020, was 1.1302%, which was a decrease of (0.2599%) from its prior year proportion of 1.3901%, measured as of June 30, 2019.

XI. RETIREMENT PLAN - Continued

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

For the year ended June 30, 2021, the District recognized pension expense of $1,745,766. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner. $1,572,049 reported as 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 year ended June 30, 2022.

At June 30, 2021 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
Differences between actual and expected experience	$ -	$ (143,606)
Net difference between projected and actual earnings on retirement plan investments	1,364,221	-
Change in proportion	792,878	(1,935,273)
Change in assumptions	487,880	(201,849)
Change in experience	514,895	-
Changes in employer's proportion and differences between APCD contributions and proportionate share of contributions	-	(497,602)
APCD contributions subsequent to the measurement date	1,572,049	-
	$ 4,731,923	$ (2,778,330)

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

Year Ending June 30,	Amount
2022	$ 78,136
2023	(53,687)
2024	272,743
2025	84,352
	$ 381,544

XI. RETIREMENT PLAN – Continued

F. Actuarial Assumptions for Annual Pension Costs

	Miscellaneous
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actual Cost Method	Entry Age
Actuarial Assumptions	
Administrative expenses	Base of $5.3 million for the fiscal year ending June 30, 2020 with 3.00% wage inflation increases annually.
Discount rate	7.00%
Inflation	3.00% wage inflation component
COLA Increases:	2.75% for those with a 2.75% cap;
Basic COLA	2.60% for APCD Plans 1 and 2;
Post-Retirement COLA	1.90% for General Plan 7 and APCD Plan 8 (PEPRA) (2)
Projected Salary Increase	3.00% plus merit component
Investment Rate of Return	7.00% (1)
Post-Retirement Mortality	Healthy Lives: Mortality rates for General active members are based on the sex distinct Public General 2010 Above-Median Income Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019, without adjustment. Non-duty related mortality rates for Safety active members are based on the sex distinct Public Safety 2010 Employee Mortality Table, with generational mortality improvments projected from 2010 using Projection Scale MP-2019, without adjustment. Safety active members are also subject to the 2014 CalPERS Preretirement Industrial Mortality Table for duty-related death, with generational improvement using Projection Scale MP-2019 from a base year of 2009. Mortality rates for healthy General annuitants are based on the sex distinct Public General 2010 Above-Median Income Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019. Mortality rates for Safety annuitants are based on the sex distinct Public Safety 2010 Retiree Mortality Table, with generational improvements projected from 2010 using Projection Scale MP-2019. Disabled Lives: Mortality rates for disabled retirees are based on 2014 CalPERS Industrial Disabled Annuitant Mortality, with no adjustment (Safety only), 2014 CalPERS Non-Industrial Disabled Annuitant Mortality, with no adjustment (General only), with Generational improvement using Projection Scale MP-2019 from a base year of 2009.

(1) Net of pension plan investment expense
(2) For General Plan 8 (PEPRA), benefits are assumed to increase at the rate of 1.90% per year if their employer had implemented General Plan 7 prior to January 1, 2013. Otherwise, benefits are assumed to increase at the rate of 2.60% per year.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2016. Based upon the results of the 2016 actuarial experience study, there was a decrease in discount rate, decreases in COLA and wage inflation assumptions, and revised mortality assumptions were utilized to more closely reflect actual experience. Deferred inflows of resources for changes of assumptions represents the unamortized portion of the changes of assumptions related to prior measurement periods.

G. Discount Rate

The long-term expected rate of return on pension plan investments (7.0%) 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

XI. RETIREMENT PLAN – Continued

G. Discount Rate

and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad U.S. equity	19%	5.30%
Developed market non-U.S. equity	11%	7.00%
Emerging markets equity	7%	9.25%
Core fixed income	17%	50.00%
Custom non-core fixed income	11%	5.10%
Custom real return	15%	5.00%
Custom real estate	10%	4.55%
Private equity	10%	8.00%
Cash	0%	-0.50%
Total	**100%**	

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

G. Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
APCD's proportionate share of the net pension plan liability	$ (18,125,326)	$ (11,931,966)	$ (6,676,086)

XI. RETIREMENT PLAN – Continued

H. Pension fund fiduciary net position

Detailed information about the pension fund's fiduciary net position is available in the separately issued SBCERS ACFR.

XII. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The District's cost sharing multiple-employer defined benefit post-employment healthcare plan (OPEB Plan) is administered by the Santa Barbara County Employees' Retirement System (Retirement System). The OPEB Plan provides medical benefits to eligible retired District and other employer plan sponsors' employees, as well as to their eligible dependents, pursuant to California Government Code Section 31694 et. seq. Other employer plan sponsors include the County of Santa Barbara (County), the Carpinteria-Summerland Fire Protection District, Goleta Cemetery District, Santa Maria Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Santa Barbara County Association of Governments, and the Santa Barbara County Superior Court.

B. Benefits Provided

The County negotiates health care contracts with providers for both its active employees and the participating retired members of the Retirement System. District retirees are offered the same health plans as active County employees, as well as enhanced senior plans for retirees on Medicare. Retiree premiums are rated separately from active County employees; as such, the District does not have a retiree premium implicit rate subsidy.

Pursuant to the OPEB Plan, the District Board has determined to provide a monthly insurance premium subsidy of $15 (whole dollars) per year of credited service from the 401(h) account for Eligible Retired Participants participating in a County-sponsored health insurance plan. The monthly insurance premium subsidy is applied directly by the Retirement System to pay the premium and is not paid to the retiree or other party. The maximum amount paid in any month does not exceed the premium; any amount in excess of the premium is forfeited. If an Eligible Retired Participant does not participate in the County-sponsored health insurance plan, then the Retirement System reimburses the eligible Retired Participant for other medical care expenses. The maximum monthly amount paid is $4 (whole dollars) per year of credited service.

XII. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

B. Benefits Provided - Continued

If a member is eligible for a disability retirement benefit, the member can receive a monthly health plan subsidy of $187 (whole dollars) per month or a subsidy of $15 (whole dollars) per month per year of service, whichever is greater. This subsidy is treated as a nontaxable amount to the disabled recipient. Survivors of Eligible Retired Participants (Spouses and Dependents) continue to receive a subsidy proportionate to their percentage of the retiree's pension benefit.

C. Employees Covered

As of the June 30, 2020 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

Active employees	28
Vested terminated employees	13
Retirees and surviving spouses	59
Total	100

D. Funding Policy

Participating employer plan sponsors individually determine their separate contributions to the Retirement System to fund the OPEB Plan. The District has adopted a policy of funding at an amount not to exceed 25% of its normal retirement costs in any given fiscal year, in order to pre-fund the benefit at the maximum amount allowed under the IRC.

E. Net OPEB Asset

The actuarial assumptions used in the valuation were based on 1) the demographic assumptions determined in the actuarial experience study of July 1, 2013 – June 30, 2016 for the Pension Plan, 2) implementation of the OPEB Funding Policy, and 3) current experience for OPEB Plan election by retirees. As the benefit for the OPEB plan is a fixed payment per year of service that is currently lower than the premiums paid for coverage, and is expected to remain so into the future, no age related costs are required to be developed.

The District's net OPEB asset was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2019, updated to June 30, 2020, based on the following actuarial methods and assumptions:

XII. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

E. Net OPEB Asset – Continued

Salary increase rate	3% plus an additional longevity and promotion increase compounded based on years of service
Investment rate of return	7.00%, net of investment expense
Healthcare cost trend rates	The Healthcare Cost Trend Rate is not applicable because the total cost of health benefits is not valued. Only the monthly benefit provided is valued using the assumption that no future increase will be granted to the amount.
Future retiree plan election	55% - monthly subsidy of $15 per year of service; 45% - $4 cash benefit option or 40% - monthly subsidy of $15 per year of service; 60% - $4 cash benefit option.
Mortality rates	**Healthy Lives:** Mortality rates for General active members are based on the sex distinct Public General 2010 Above-Median Income Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019, without adjustment. Non-duty related morality rates for Safety active member are based on the sex distinct Public Safety 2010 Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019, without adjustment. Safety active members are also subject to the 2014 CalPERS Pre-retirements Industrial Mortality Table for duty-related deaths, with generational mortality improvements projected from 2009 using Projection Scale MP-2019, without adjustment. Mortality rates for healthy General annuitants are based on the sex distinct Public General 2010 Above-Median Income Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2019. Mortality rates for Safety annuitants are based upon the sex distinct Public Safety Retiree Mortality Table, with generational improvements projected from 2010 using Projection Scale MP-2019. **Disabled Lives:** Mortality rates for disabled retirees are based on 2014 CalPERS Industrial Disabled Annuitant Mortality, with no adjustment (Safety only), 2014 CalPERS Non-Industrial Disabled Annuitant Mortality, with no adjustment (General only), with Generational improvement using Projection Scale MP-2016 from a base year of 2009.

The OPEB assets are invested in the same commingled vehicles as the pension plan, but with a more simple asset allocation. It is expected that as the OPEB assets continue to grow, the asset allocation will shift to be more like that of the pension plan. Therefore, in the long run, we expect the OPEB plan to realize the same long-term rate of return as the pension plan. The long-term expected rate of return, measured as of June 30, 2020, on pension plan investments (7.0%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	60%	5.30%
Fixed income	40%	50.00%
Total	**100%**	

XII. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

F. Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Changes in the OPEB Asset

The changes in the net OPEB asset for the OPEB Plan are as follows:

	(Increase) Decrease		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (c) = (b) + (a)
Balance at June 30, 2020 *(Measurement Date June 30, 2019)*	$ (1,655,620)	$ 1,780,551	$ 124,931
Changes for the year:			
Service cost	(10,556)		(10,556)
Interest	(112,489)		(112,489)
Differences between expected and actual experience	46,227		46,227
Changes of assumptions	13,277		13,277
Contributions - employer		204,172	204,172
Net investment income		144,484	144,484
Benefit Payments	109,486	(109,486)	
Administrative expenses		(6,760)	(6,760)
Net changes	45,945	232,410	278,355
Balance at June 30, 2021	$ (1,609,675)	$ 2,012,961	$ 403,286
(Measurement Date June 30, 2020)			

H. Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset (liability) of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
$ 232,414	$ 403,286	$ 547,569

XII. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

I. Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rates

Since the dollar amount of the benefits provided are not expected to increase and are below the current premiums for health benefits, no trend assumptions are used in calculating the OPEB assets (liabilities). Therefore, the results are not affected by any increase or decrease in the healthcare trend rates that may apply to the underlying benefit premiums in the future, for measurement period ended June 30, 2020.

J. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued SBCERS financial report.

K. Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss. The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five year period. The remaining gains and losses are amortized over the expected average remaining service life.

L. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of $26,216.

As of the fiscal year ended June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on retirement plan investments	$ -	$ (51,582)
Differences between actual and expected experience	-	(23,114)
Net change in assumptions	-	(6,638)
APCD contributions subsequent to the measurement date	59,621	-
	$ 59,621	$ (81,334)

The $59,621 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as an increase of the net OPEB asset during the fiscal year ending June 30, 2022.

XII. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

L. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

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

Year Ending June 30,		Amount
2022	$	(49,058)
2023		(17,199)
2024		(11,713)
2025		(3,364)
	$	(81,334)

XIII. DEFERRED COMPENSATION PLANS

A. Employee Contribution Deferred Compensation Plan

The District offers to its employees an optional deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code (IRC). This plan is available to substantially all employees and allows participants to defer a portion of their current income until future years up to a maximum of $19,500 (during calendar year 2021), so as to shelter such funds and earnings from state and federal taxation until withdrawal. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

This plan is administered through a third-party administrator. The District does not perform the investing function, and has no fiduciary accountability for the plan. Thus, the plan assets and any related liability to plan participants have been excluded from these financial statements.

B. Social Security Compliance Deferred Compensation Plan

The District's Social Security Compliance Deferred Compensation Plan is a supplemental retirement program utilized by the District in lieu of payments to Social Security (FICA), governed under Internal Revenue Code Sections 3121 and 457. Enrollment in this plan is mandatory for contract, extra-help, seasonal and temporary employees. Employees enrolled in the regular retirement system are not eligible for this plan. Based upon the employee's gross compensation, the employee's deferral, on a before-tax basis, equals 6.2% and the District's contribution equals 1.5% for a combined total of 7.7%.

This plan is administered through a third-party administrator. The District does not perform the investing function, and has no fiduciary accountability for the plan. Thus, the plan assets and any related liability to plan participants have been excluded from these financial statements.

XIII. DEFERRED COMPENSATION PLANS

B. Social Security Compliance Deferred Compensation Plan

The District's actual contributions for the current year and two preceding years are as follows:

Fiscal Year Ended	Contributed
6/30/2019	$ 5,935
6/30/2020	$ 5,446
6/30/2021	$ 6,438

XIV. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 12, 2022, the date that the financial statements were available to be issued.

In September 2021, the District purchased property located at 1011 W. McCoy Lane in Santa Maria for a purchase price of $800,000. This property was purchased with District funds in lieu of financing.

XV. DISTRICT OWNED EMISSION REDUCTION CREDITS (ERCs)

On April 14, 2009, the United States Air Force (USAF) transferred ERC Certificate No. 0091-1108 to the District containing 12.000 tons per year (tpy) of oxides of nitrogen (NOx). This was done as part of the Environmental Investment (ENVVEST) Program and the requirements of District Regulation XIII.

On January 8, 2019, the Point Arguello Pipeline Company (PAPCO) transferred ERC Certificate No. 0040-0805 to the District containing 7.086 tons per year (tpy) of reactive organic compounds (ROCs). This was done pursuant to Section IV, Paragraph B.2(e) of the May 20, 1997 Third Amendment to the OCS Mitigation Agreement entered into between Chevron (on behalf of PAPCO) and the District, which required that all rights to ERCs generated from the shutdown of the Gaviota Oil and Gas Plant be conveyed to the District.

The Santa Barbara County market for ERCs would indicate a potential fair value of $1,882,875 for these credits. Given that it is impossible to predict when and if the credits might be sold, and at what price, management believes it would be misleading to record them in the financial statements at any value at this time.

Management, however, would like financial statement readers to be aware that the District is in possession of these credits and that they may be sold at some point in the future.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2021 (Budgetary Basis)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
Revenues:				
Licenses, permits, and franchises	$ 3,555,421	$ 3,555,421	$ 3,809,214	$ 253,793
Use of money and property	150,000	150,000	(20,650)	(170,650)
Grants and subventions	3,346,353	3,346,353	3,148,846	(197,507)
Charges for services	3,341,912	3,341,912	2,931,374	(410,538)
Other	2,000	2,000	4,672	2,672
Total revenues	**10,395,686**	**10,395,686**	**9,873,456**	**(522,230)**
Expenditures:				
Air pollution control services:				
Salaries and benefits	6,227,653	6,227,653	5,889,239	338,414
Services and supplies	5,993,033	5,993,033	4,215,842	1,777,191
Other expenses	171,575	171,575	303,953	(132,378)
Capital outlay	2,008,000	2,008,000	194,746	1,813,254
Total expenditures	**14,400,261**	**14,400,261**	**10,603,780**	**3,796,481**
Excess (deficiency) of revenues over expenditures/expenses	(4,004,575)	(4,004,575)	(730,324)	3,274,251
Fund balances:				
Beginning of year	5,157,579	5,157,579	9,690,668	4,533,089
End of year	**$ 1,153,004**	**$ 1,153,004**	**$ 8,960,344**	**$ 7,807,340**

See accompanying independent auditors' report.

See accompanying notes to the General Fund – Budgetary Comparison Schedule.

I. BASIS OF PRESENTATION

Budgets are prepared on the modified accrual basis of accounting consistent with GAAP.

II. BUDGETARY AND LEGAL COMPLIANCE

In accordance with the California Health and Safety Code Section 40130-40131 and other statutory provisions, on or before July 1 for each fiscal year, the District must prepare and submit a budget to the County Auditor-Controller. Budgets are prepared on the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP).

Annually, the Board of Directors conducts two public hearings for the discussion of a proposed budget. At the conclusion of the hearings, the Board adopts the final budget. All appropriations lapse at fiscal year-end and are subject to re-appropriation as part of the following year's budget. The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is maintained at the object level. The Air Pollution Control Officer (APCO) is delegated authority to make changes to the annual budget, provided it is within and between the salaries and benefits, services and supplies, other expenses, and capital outlay object levels. Subsequent to budget adoption, increases or decreases to reserves and designations must be adopted by a 4/5 vote of the Board. Lastly, the County Auditor-Controller is authorized to make administrative budget adjustments for the fair market value of assets held in the County Treasury.

Variances with Final Budgeted Amounts

There were no variances out of budgetary or legal compliance.

Please see the General Fund Budgetary Highlights section of the MD&A, beginning on page 30, for more details on the object level variances found in the budgetary comparison schedule.

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM – SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For the Year Ended June 30, 2021

Last 10 Fiscal Years*

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Measurement Date	06/30/20	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15	06/30/14
Valuation Date	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15	06/30/14	06/30/13
APCD's proportion of the net pension liability	1.1302%	1.3901%	1.2224%	1.2898%	1.2939%	1.1649%	1.1680%
APCD's proportionate share of the net pension liability	$ 11,931,966	$ 11,860,437	$ 10,563,359	$ 12,134,047	$ 10,877,995	$ 8,476,136	$ 7,128,755
APCD's covered payroll	$ 3,358,287	$ 3,306,424	$ 3,105,717	$ 3,306,305	$ 3,336,095	$ 3,322,884	$ 3,260,399
APCD's proportionate share of the net pension liability as a percentage of its covered payroll	355.3%	358.7%	340.1%	367.0%	326.1%	255.1%	218.65%
Plan fiduciary net position as a percentage of the total pension liability	75.2%	78.9%	77.6%	74.9%	75.2%	77.7%	80.5%

Notes to Schedule:

*Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.
Additional years will be presented as they become available.

Source: Santa Barbara County Employees' Retirement System GASB 67/68 Report as of June 30, 2020, June 30, 2019, June 30, 2018, June 30, 2017, June 30, 2016, June 30, 2015, and June 30, 2014 valuation reports produced by Cheiron.

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM – SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS

For the Year Ended June 30, 2021

Last 10 Fiscal Years*

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Contractually required contribution (actuarially determined)	$ 1,574,072	$ 1,390,935	$ 1,268,643	$ 1,267,652	$ 1,192,461	$ 1,239,256	$ 1,176,451
Contributions in relation to the actuarially determined contribution	1,574,072	1,390,935	1,268,643	1,267,652	1,192,461	1,239,256	1,176,451
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
APCD's covered payroll	$ 3,358,287	$ 3,306,424	$ 3,105,717	$ 3,306,305	$ 3,336,095	$ 3,322,884	$ 3,260,399
Contributions as a percentage of covered payroll	46.9%	42.1%	40.8%	38.3%	35.7%	37.3%	36.08%

Notes to Schedule:

*Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.
Additional years will be presented as they become available.

Source: Santa Barbara County Employees' Retirement System GASB 67/68 Report as of June 30, 2020, June 30, 2019, June 30, 2018, June 30, 2017, June 30, 2016, June 30, 2015, and June 30, 2014 valuation reports produced by Cheiron.

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM – SCHEDULE OF THE DISTRICT'S CHANGES IN THE NET OPEB ASSET (LIABILITY) AND RELATED RATIOS

For the year ended June 30, 2021

Last 10 Fiscal Years*

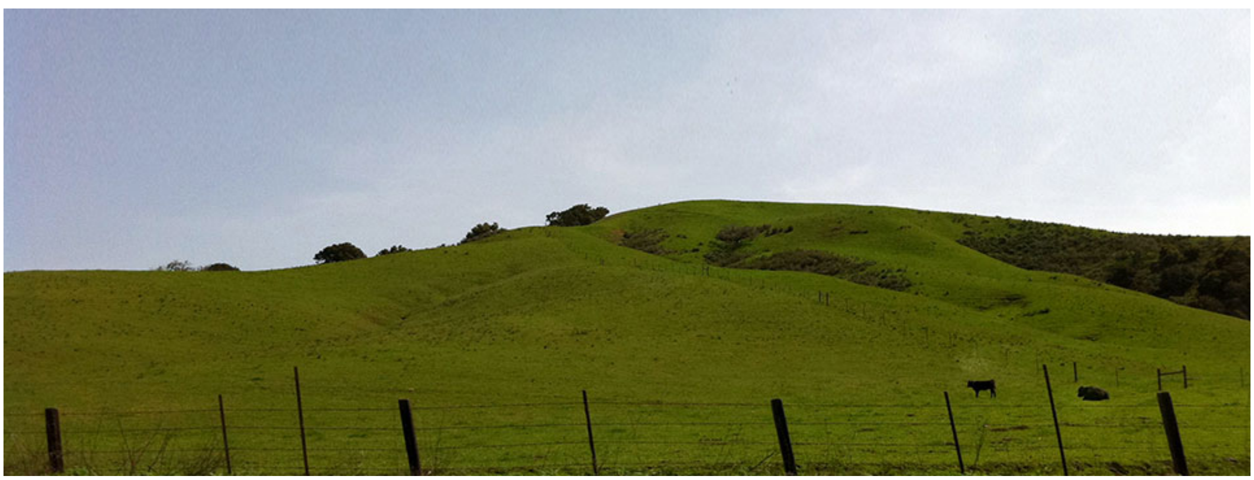
	FY 2021	FY 2020	FY 2019	FY 2018
Total OPEB liability				
Service cost	$ (10,556)	$ (12,164)	$ (12,680)	$ (14,378)
Interest on the total OPEB liability	(112,489)	(101,315)	(100,026)	(98,778)
Difference between actual and expected experience	46,227	(153,752)	(6,909)	-
Changes in assumptions	13,277	-	-	-
Benefit payments	109,486	104,211	97,800	91,292
Net change in the total OPEB liability	45,945	(163,020)	(21,815)	(21,864)
Total OPEB liability - beginning	(1,655,620)	(1,492,600)	(1,470,785)	(1,448,921)
Total OPEB liability - ending (a)	$ (1,609,675)	$ (1,655,620)	$ (1,492,600)	$ (1,470,785)
Plan Fiduciary Net Position				
Contributions - employers	$ 204,172	$ 202,521	$ 204,124	$ 162,872
Net investment income	144,484	152,445	122,830	93,589
Benefit payments	(109,486)	(104,211)	(97,800)	(91,292)
Administrative expenses	(6,760)	(6,630)	(6,394)	(5,617)
Net change in the Plan Fiduciary Net Position	232,410	244,125	222,760	159,552
Plan Fiduciary Net Position - beginning	1,780,551	1,536,426	1,313,666	1,154,114
Plan Fiduciary Net Position - ending (b)	$ 2,012,961	$ 1,780,551	$ 1,536,426	$ 1,313,666
Net OPEB asset (liability) - ending (a) + (b)	$ 403,286	$ 124,931	$ 43,826	$ (157,119)
Plan Fiduciary Net Position as a percentage of the total OPEB liability	125.05%	107.55%	102.94%	89.32%
Covered employee payroll	$ 3,358,287	$ 3,306,424	$ 3,105,717	$ 3,306,305
Net OPEB asset (liability) as a percentage of covered employee payroll	12.01%	3.78%	1.41%	-4.75%
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	June 30, 2019 updated to June 30, 2020	June 30, 2018 updated to June 30, 2019	June 30, 2017 updated to June 30, 2018	June 30, 2016 updated to June 30, 2017

Notes to Schedule:

* Historical information is required only for measurement periods for which GASB 75 is applicable.
Future years' information will be displayed up to 10 years as information becomes available.

Source: Santa Barbara County Employees' Retirement System GASB 74/75 Report as of as of June 30, 2020, June 30, 2019, June 30, 2018, June 30, 2017, June 30, 2016, June 30, 2015, and June 30, 2014 valuation reports produced by Cheiron.

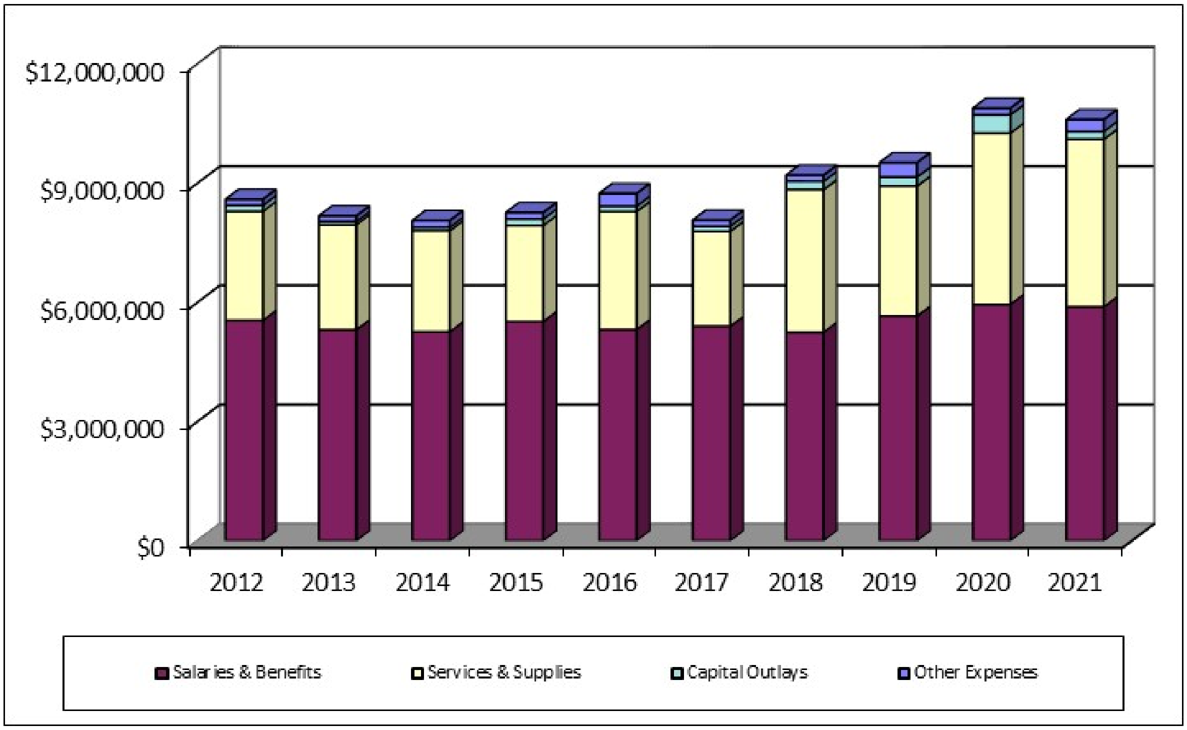
STATISTICAL SECTION (UNAUDITED)



The information in the statistical section is not covered by the Independent Auditors' Report, but is presented as supplemental data for the benefit of the readers of the annual comprehensive financial report.

GENERAL FUND EXPENDITURES BY MAJOR OBJECT

(Combined Budgetary and GAAP Basis) Last Ten Fiscal Years

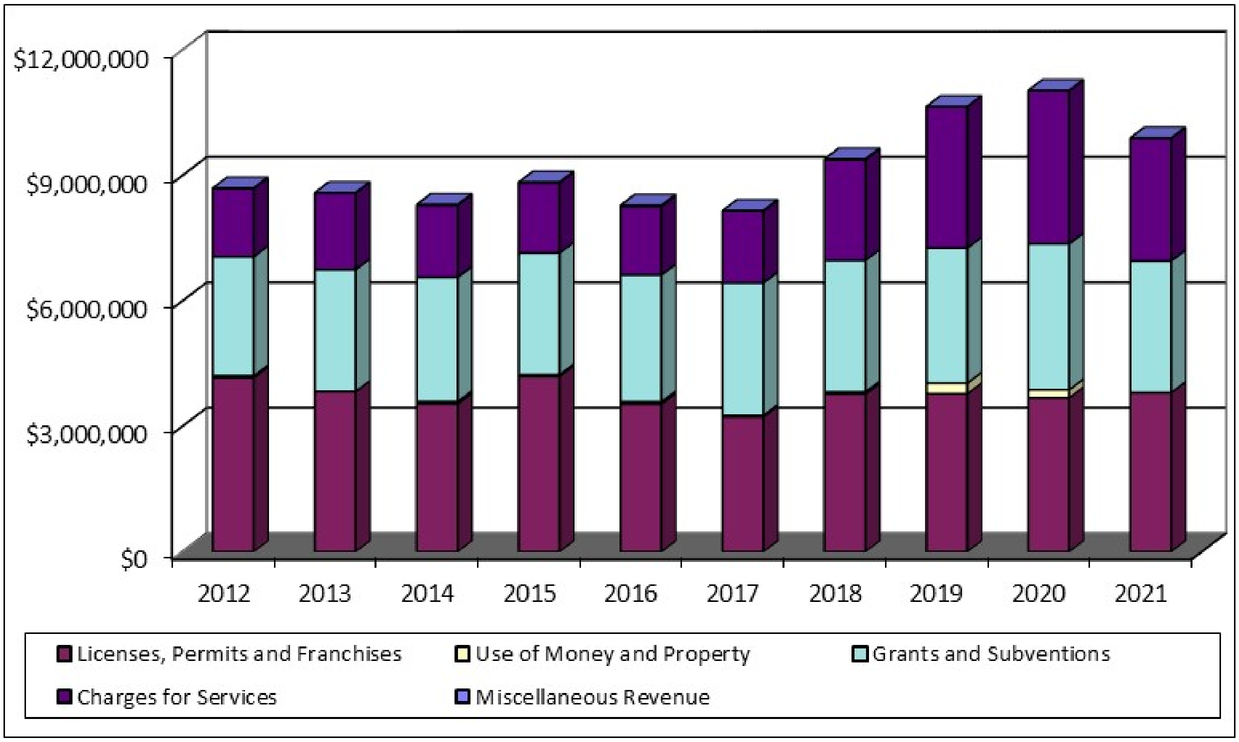


Year	Salaries & Benefits	Services & Supplies	Capital Outlays	Other Expenses	Total Expenditures
2012	5,547,586	2,742,990	152,967	148,120	$ 8,591,663
2013	5,310,383	2,644,481	81,405	140,557	$ 8,176,826
2014	5,259,494	2,543,802	84,689	170,929	$ 8,058,914
2015	5,519,023	2,415,952	164,474	160,798	$ 8,260,247
2016	5,315,212	2,971,777	133,006	318,413	$ 8,738,408
2017	5,395,402	2,389,598	127,788	154,880	$ 8,067,668
2018	5,248,978	3,586,993	212,019	153,031	$ 9,201,021
2019	5,654,925	3,271,520	227,238	358,515	$ 9,512,198
2020	5,947,038	4,313,193	462,383	161,222	$ 10,883,836
2021	5,889,239	4,215,842	194,746	303,953	$ 10,603,780

Source: Santa Barbara County Air Pollution Control District Audited Financial Statements

GENERAL FUND REVENUES BY MAJOR OBJECT

(Combined Budgetary and GAAP Basis) Last Ten Fiscal Years

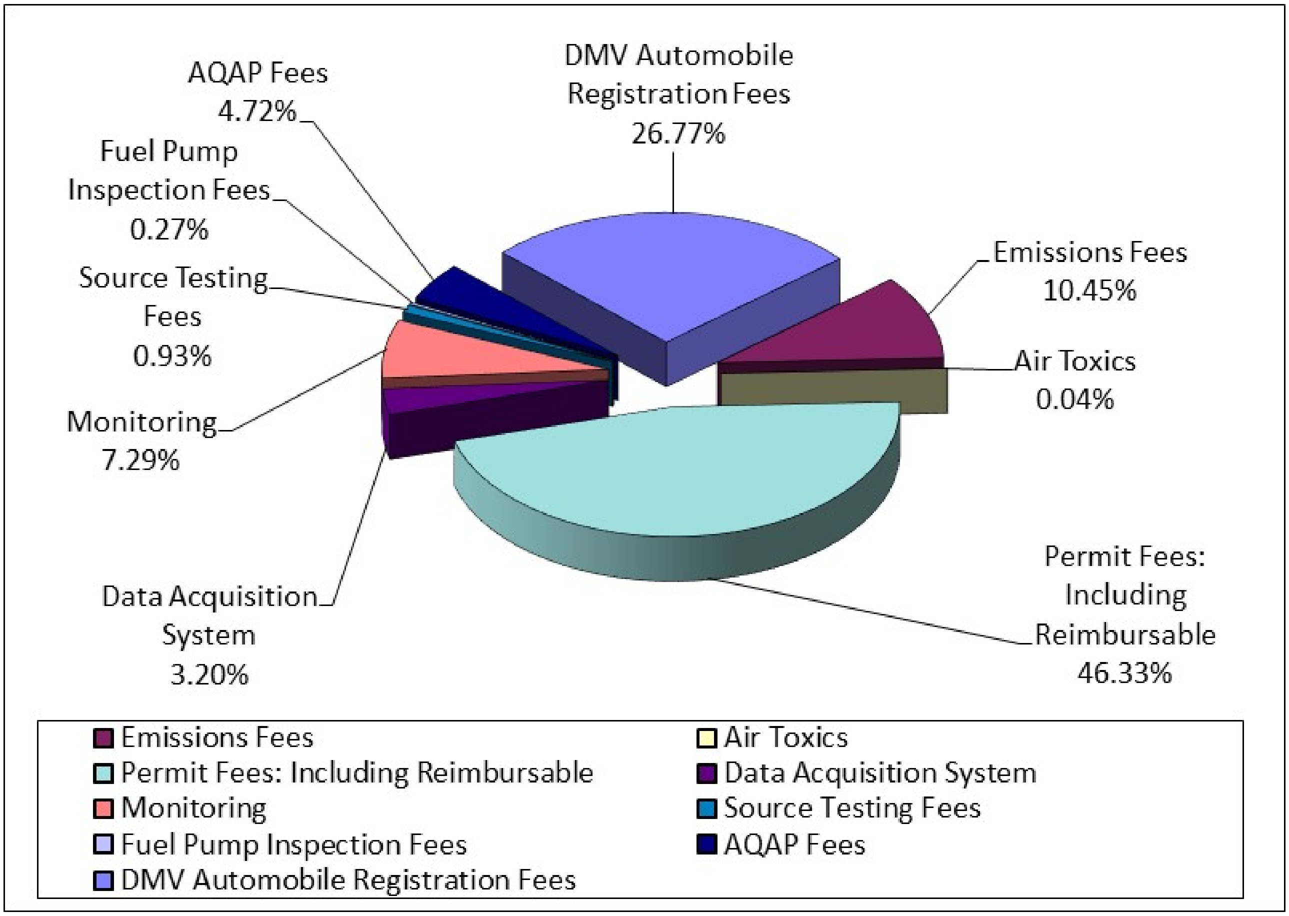


Year	Licenses, Permits and Franchises	Use of Money and Property	Grants and Subventions	Charges for Services	Miscellaneous Revenue	Total Revenues
2012	$ 4,162,559	47,067	2,848,840	1,629,645	9,022	$ 8,697,133
2013	$ 3,835,844	(21,875)	2,916,048	1,833,905	1,632	$ 8,565,554
2014	$ 3,536,813	55,833	2,973,829	1,720,825	15,450	$ 8,302,750
2015	$ 4,196,836	38,387	2,912,323	1,678,870	12,433	$ 8,838,849
2016	$ 3,536,289	53,314	3,036,840	1,632,337	26,552	$ 8,285,332
2017	$ 3,229,432	31,626	3,174,081	1,715,408	7,788	$ 8,158,335
2018	$ 3,773,661	47,653	3,150,516	2,405,868	12,421	$ 9,390,119
2019	$ 3,779,781	255,550	3,232,012	3,380,168	696	$ 10,648,207
2020	$ 3,684,557	192,500	3,493,290	3,658,341	6,292	$ 11,034,980
2021	$ 3,809,214	(20,650)	3,148,846	2,931,374	4,672	$ 9,873,456

Source: Santa Barbara County Air Pollution Control District Audited Financial Statements

GENERAL FUND FEE REVENUES BY FEE SOURCE

Fiscal Year 2020-21

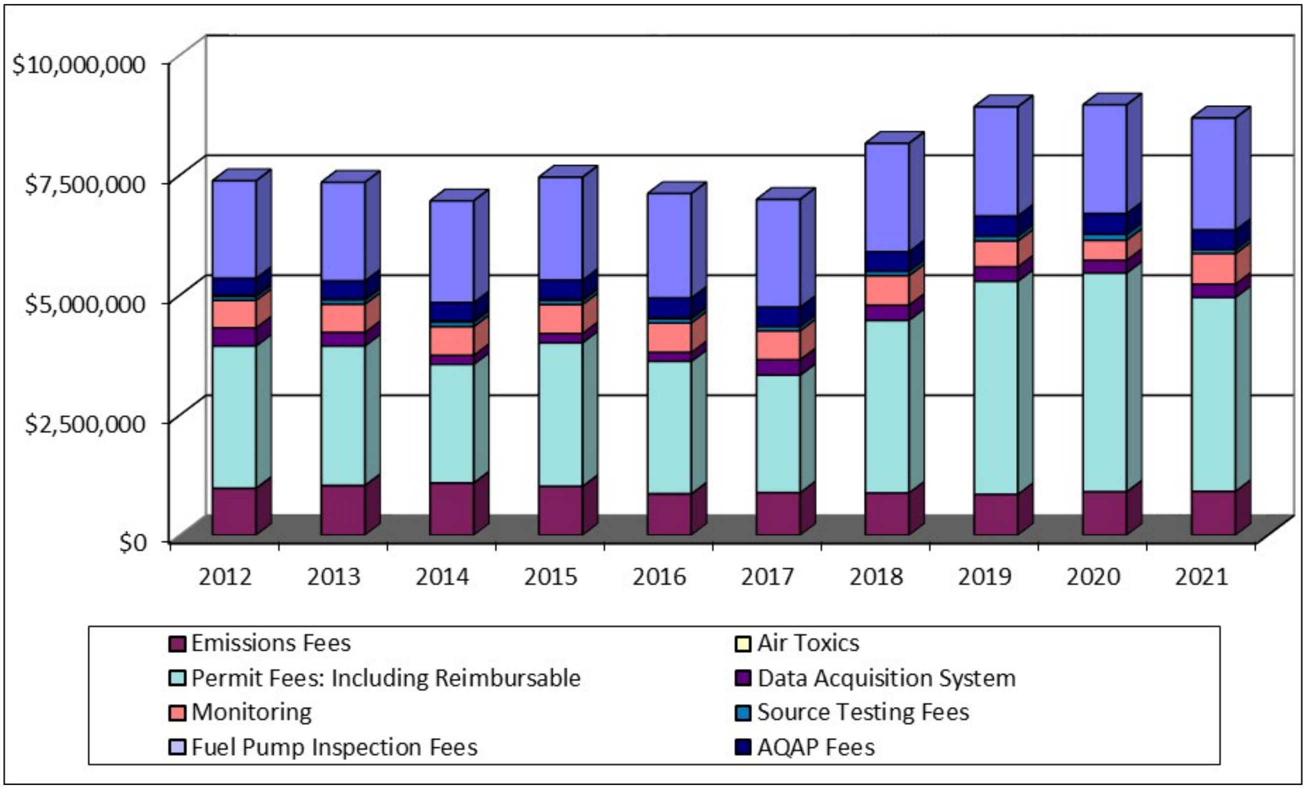


Fee Source	FY 20-21
Emissions Fees	$ 911,674
Air Toxics	3,686
Permit Fees: Including Reimbursable	4,040,067
Data Acquisition System	278,938
Monitoring	635,385
Source Testing Fees	81,407
Fuel Pump Inspection Fees	23,354
AQAP Fees	411,476
DMV Automobile Registration Fees	2,334,184
Total Fee Revenues	$ 8,720,171

Source: Santa Barbara County Air Pollution District Audited Fee Revenues

GENERAL FUND FEE REVENUES BY FEE SOURCE

Last Ten Fiscal Years

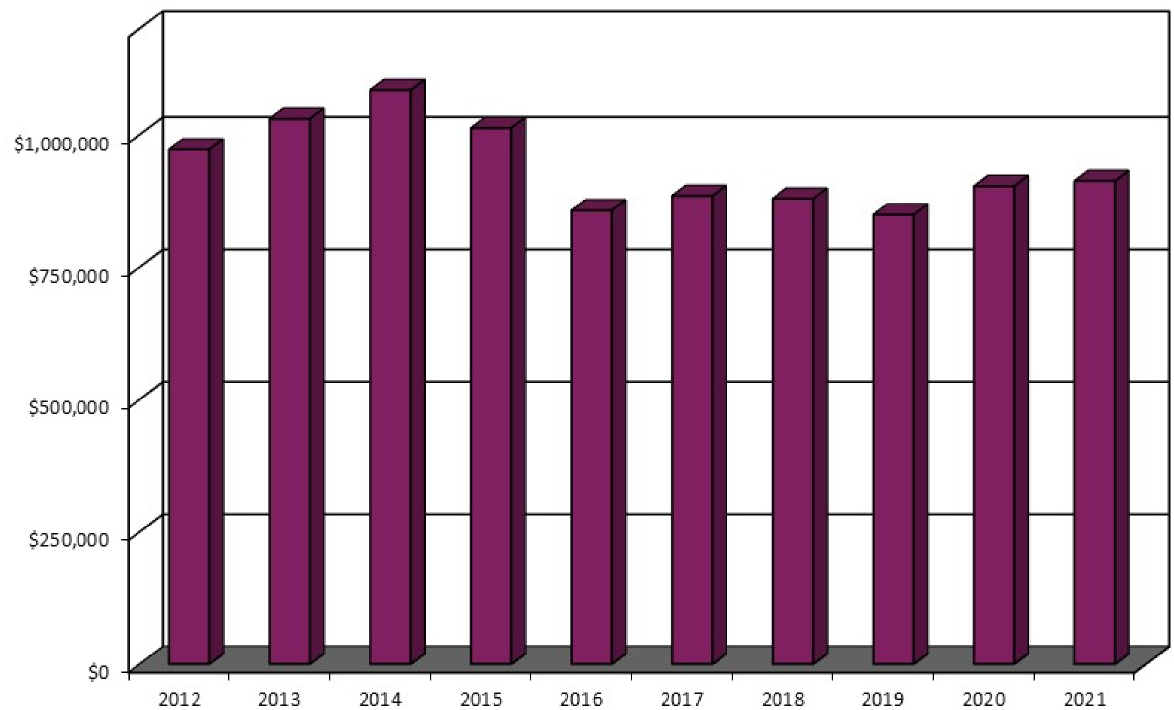


Year	Emissions Fees	Air Toxics	Permit Fees: Including Reimbursable	Data Acquisition System	Monitoring	Source Testing Fees	Fuel Pump Inspection Fees	AQAP Fees	DMV Automobile Registration Fees	Total Fee Revenues
2012	$ 970,904	5,829	2,963,944	378,577	571,474	82,685	23,968	356,613	2,029,342	$ 7,383,336
2013	$ 1,029,140	5,633	2,905,227	281,475	587,997	90,803	20,281	378,437	2,051,399	$ 7,350,392
2014	$ 1,082,816	5,867	2,467,491	190,135	597,744	95,217	20,727	386,944	2,117,633	$ 6,964,574
2015	$ 1,011,844	5,727	2,989,787	193,512	602,803	87,146	20,786	403,179	2,143,037	$ 7,457,821
2016	$ 855,895	5,865	2,757,639	188,315	611,524	88,069	21,019	415,955	2,174,140	$ 7,118,421
2017	$ 883,274	5,351	2,448,971	322,960	599,983	89,512	23,061	405,470	2,244,316	$ 7,022,898
2018	$ 878,137	5,145	3,595,441	317,841	612,889	91,866	20,281	408,919	2,257,103	$ 8,187,622
2019	$ 847,987	6,247	4,439,587	303,242	537,230	100,894	23,856	422,646	2,272,886	$ 8,954,575
2020	$ 901,919	5,934	4,557,742	266,329	418,630	125,054	21,646	432,456	2,263,594	$ 8,993,304
2021	$ 911,674	3,686	4,040,067	278,938	635,385	81,407	23,354	411,476	2,334,184	$ 8,720,171

Source: Santa Barbara County Air Pollution District Audited Fee Revenues

EMISSION FEE REVENUES

Last Ten Fiscal Years



Year	Emission Fees
2012	970,904
2013	1,029,140
2014	1,082,816
2015	1,011,844
2016	855,895
2017	883,274
2018	878,137
2019	847,987
2020	901,919
2021	911,674

Source: Santa Barbara County Air Pollution District Audited Fee Revenues

KEY AIR QUALITY AND DEMOGRAPHIC INFORMATION

Santa Barbara County Region

The Santa Barbara County Air Pollution Control District includes all of Santa Barbara County.

Geography

Santa Barbara County, located approximately 100 miles northwest of Los Angeles and 300 miles south of San Francisco, was established by an act of the State Legislature on February 18, 1850. The County occupies 2,774 square miles, one-third of which is located in the Los Padres National Forest. Bordered on the West and South by the Pacific Ocean, the County has 110 miles of beaches, a little over half being south facing beaches. Agriculture figures prominently in the valleys with just over 700,000 acres devoted to crops and pasture. Strawberries, broccoli, grapes (wine), and avocados are the four most notable crops of the County.

The County has 4 main urban areas:

Santa Barbara Coast
Santa Barbara Coast is located in the southern portion of the County. The area is bordered in the south by the Pacific Ocean and in the north by the Santa Ynez Mountain range, one of the few mountain systems in North America that run east-west rather than north-south. Because of the unique south-facing aspect, and its year round mild Mediterranean climate, it is fitting that Santa Barbara has been described by many as the "California Riviera."

Santa Ynez Valley
Santa Ynez Valley is located in the central portion of the County, nestled between the Santa Ynez and San Rafael mountain ranges. Santa Ynez Valley includes the communities of Buellton, Solvang, and Santa Ynez, as well as the Chumash Reservation. Lake Cachuma is also nestled between the mountain ranges, offering recreational activities and a water supply to the County. The Valley's climate has recently attracted many wine makers to the area, adding vast vineyards to the rolling hills that lead to the Los Padres National Forest.

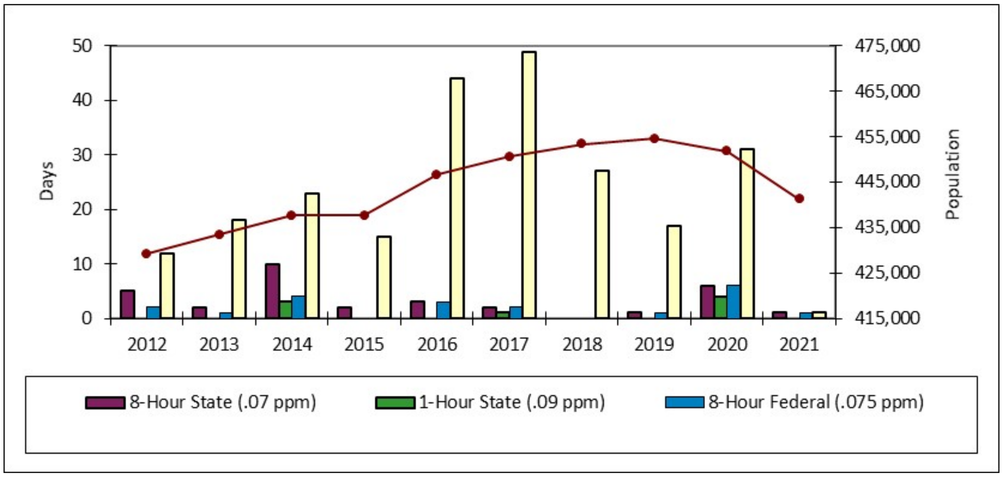
Santa Maria Valley
Santa Maria Valley is located in the northern portion of the County, bordered by San Luis Obispo County on the north. Much of the new development within the County has been happening in the Santa Maria Valley area. The area has experienced a lot of change in the past decade.

Lompoc Valley
Lompoc Valley is located in the western portion of the County. Vandenberg Air Force Base is located in the Valley contributing many local employment opportunities to County residents.

Overall, the County is a popular tourist and recreational area, famous for its mild climate (at 64 degrees F and with 300 days of sunshine on average), picturesque coastline, scenic mountains, 114 parks, 18 beaches, and 17 golf courses. The County is rich in heritage and cultural diversity; Spanish-Mediterranean architecture on the South Coast, western style towns inland, missions, Danish village of Solvang, and numerous cultural festivals and parades, all reflect its diverse legacy. World-class music, opera, dance, theatre and visual arts, coupled with beautiful urban and rural communities, make the County a haven to those who live here, as well as a delight to those who visit from all over the world.

The following charts illustrate air quality, demographic, employment and motor vehicle information about the Santa Barbara County Air Pollution Control District region.

SANTA BARBARA COUNTY AIR QUALITY TREND - LAST TEN CALENDAR YEARS



	Calendar Year Exceedances (number of days with an exceedance)				
	Ozone			Particulate Matter	
Year	8-Hour State (.07 ppm)	1-Hour State (.09 ppm)	8-Hour Federal (.075 ppm)	24-Hour State (PM 10)	District Population
2012	5	0	2	12	429,200
2013	2	0	1	18	433,398
2014	10	3	4	23	437,643
2015	2	0	0	15	437,643
2016	3	0	3	44	446,717
2017	2	1	2	49	450,663
2018	0	0	0	27	453,457
2019	1	0	1	17	454,593
2020	6	4	6	31	451,840
2021	1	0	1	1	441,172

Notes: Population figures are at January 1 of the years listed.

Sources:

2012-2013 Data:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2012 and 2013. Sacramento, California, May 2013.

2013-2014 Data:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2013 and 2014. Sacramento, California, May 2014.

2014-2015 Data:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2014 and 2015. Sacramento, California, May 2015

2015-2016 Data:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2015 and 2016. Sacramento, California, May 2016.

2016-2017 Data:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2016 and 2017. Sacramento, California, May 2017.

2017-2018 Data:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2017 and 2018. Sacramento, California, May 2018.

2018-2019 Data:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2018 and 2019. Sacramento, California, May 2019.

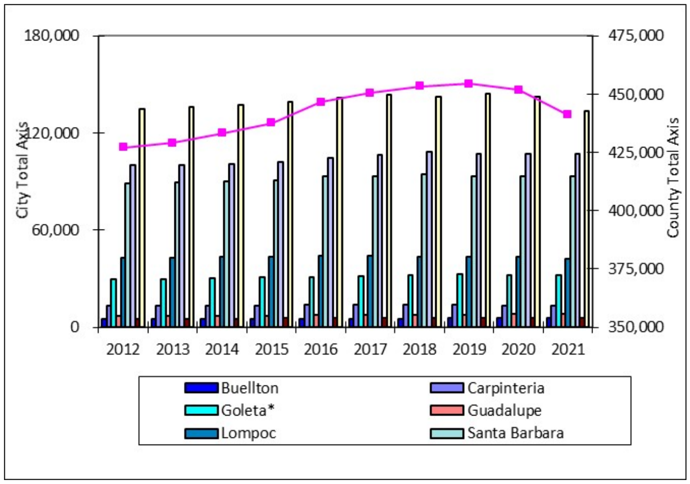
2019-2020 Data:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2019 and 2020. Sacramento, California, May 2020.

2020-2021 Data:

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2020 and 2021. Sacramento, California, May 2021.

SANTA BARBARA COUNTY POPULATION BY CITY - LAST TEN CALENDAR YEARS



City	Santa Barbara County (January 1,) 2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Buellton	4,858	4,863	4,893	4,931	4,957	5,129	5,291	5,453	5,464	5,435
Carpinteria	13,076	13,099	13,442	13,547	13,928	13,943	13,704	13,680	13,335	13,196
Goleta*	29,930	29,962	30,202	30,765	31,235	31,760	31,949	32,759	32,223	32,339
Guadalupe	7,097	7,100	7,144	7,205	7,348	7,414	7,604	7,839	8,081	8,346
Lompoc	42,854	42,730	43,314	43,479	44,116	44,042	43,599	43,649	43,786	42,493
Santa Barbara	89,082	89,681	90,385	91,088	93,190	93,063	94,807	93,532	93,511	93,055
Santa Maria	100,199	100,306	101,103	102,087	104,404	106,280	108,470	107,356	107,407	107,445
Solvang	5,281	5,292	5,363	5,489	5,451	5,593	5,771	5,822	5,562	5,512
Unincorporated	134,890	136,167	137,552	139,052	142,088	143,439	142,262	144,503	142,471	133,351
County Total	**427,267**	**429,200**	**433,398**	**437,643**	**446,717**	**450,663**	**453,457**	**454,593**	**451,840**	**441,172**

Note: Population figures are at January 1 of the years listed.

Sources:

<u>2012-2013 Data:</u>

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2012 and 2013. Sacramento, California, May 2013.

<u>2013-2014 Data:</u>

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2013 and 2014. Sacramento, California, May 2014.

<u>2014-2015 Data:</u>

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2014 and 2015. Sacramento, California, May 2015

<u>2015-2016 Data:</u>

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2015 and 2016. Sacramento, California, May 2016.

<u>2016-2017 Data:</u>

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2016 and 2017. Sacramento, California, May 2017.

<u>2017-2018 Data:</u>

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2017 and 2018. Sacramento, California, May 2018.

<u>2018-2019 Data:</u>

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2018 and 2019. Sacramento, California, May 2019.

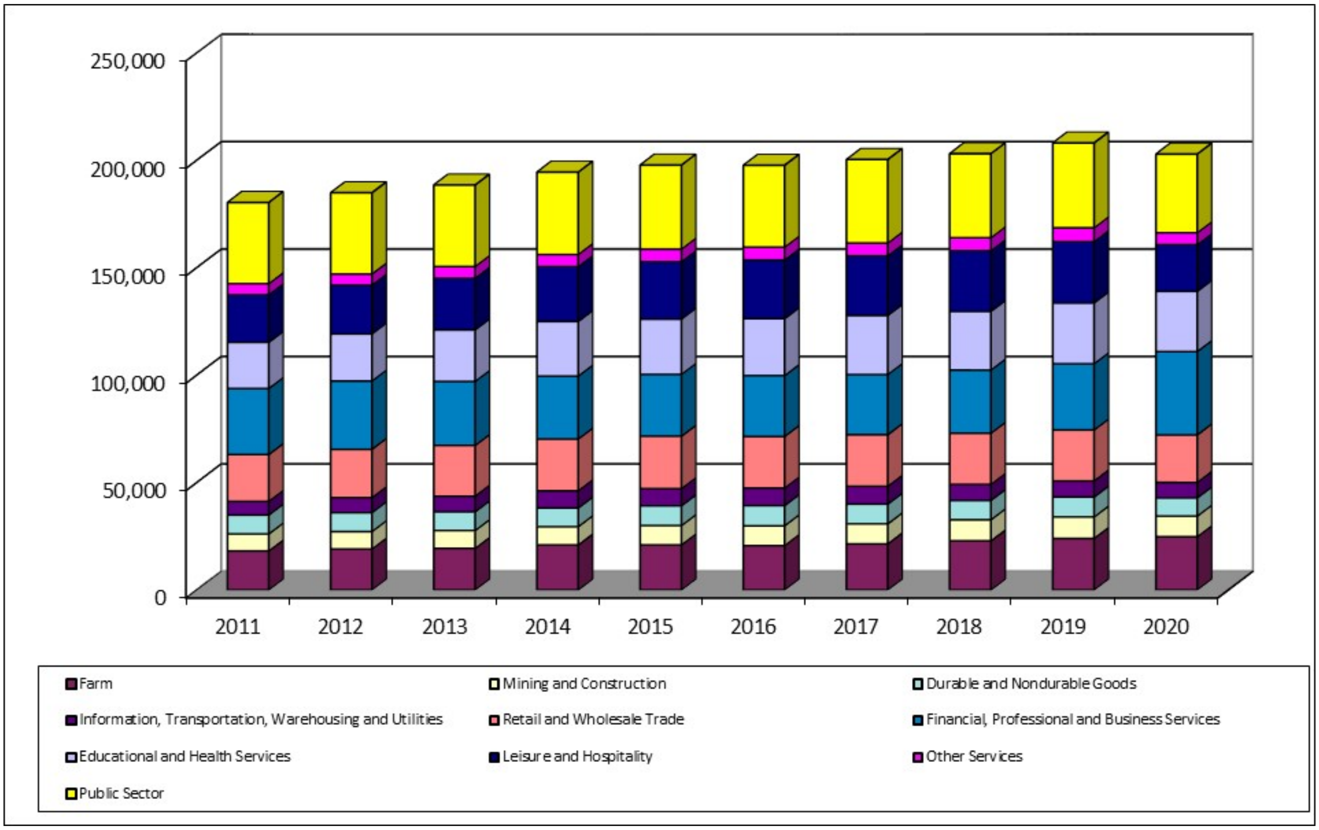
<u>2019-2020 Data:</u>

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2019 and 2020. Sacramento, California, May 2020.

<u>2020-2021 Data:</u>

State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2020 and 2021. Sacramento, California, May 2021.

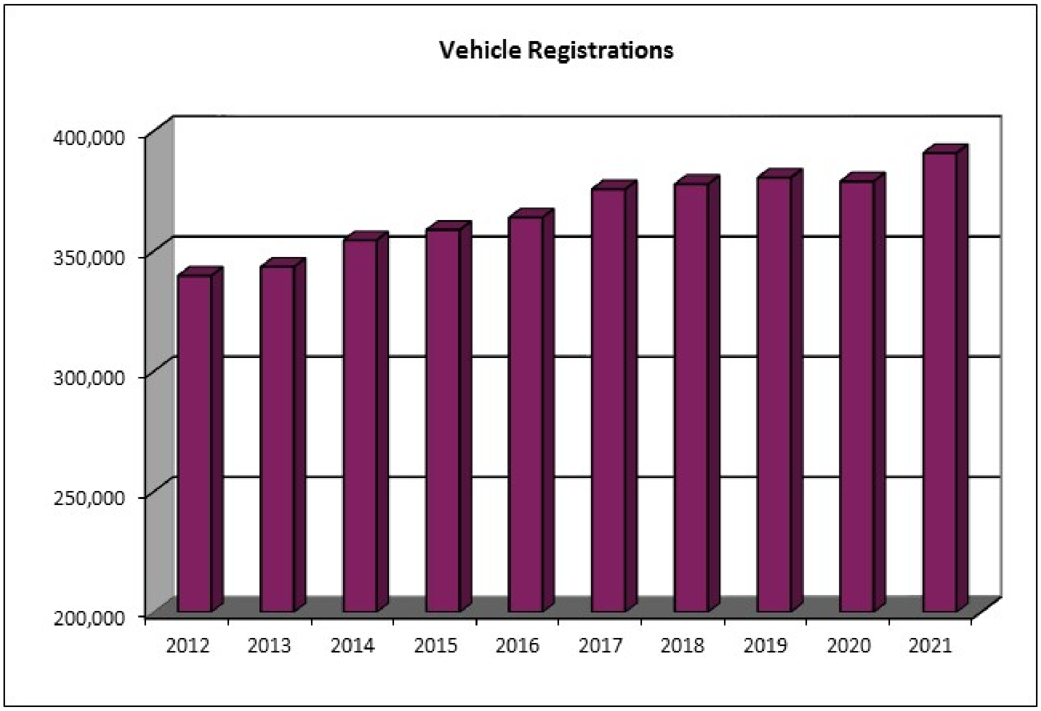
SANTA BARBARA COUNTY CIVILIAN EMPLOYMENT - LAST TEN CALENDAR YEARS



Year	Farm	Mining and Construction	Durable and Nondurable Goods	Information, Transportation, Warehousing and Utilities	Retail and Wholesale Trade	Financial, Professional and Business Services	Educational and Health Services	Leisure and Hospitality	Other Services	Public Sector	Total Wage and Salary
2011	18,200	7,900	8,800	6,400	21,800	30,700	21,500	22,100	5,200	37,800	180,400
2012	19,100	8,100	8,800	7,000	22,500	31,800	21,900	22,700	5,200	37,800	184,900
2013	19,400	8,300	8,700	7,300	23,600	29,800	24,000	24,000	5,500	37,900	188,500
2014	21,000	8,500	8,700	8,000	24,100	29,300	25,400	25,500	5,700	38,300	194,500
2015	21,000	9,000	9,200	8,000	24,400	28,800	25,700	26,700	5,900	39,100	197,800
2016	20,700	9,200	9,400	8,200	24,000	28,300	26,500	27,300	6,000	38,100	197,700
2017	21,500	9,300	9,200	8,300	24,000	28,000	27,500	27,700	6,000	38,900	200,400
2018	22,900	9,800	9,000	7,500	23,800	29,400	27,300	28,200	6,100	39,100	203,100
2019	24,000	10,000	9,300	7,500	23,700	30,800	28,300	28,500	6,500	39,500	208,100
2020	24,800	9,600	8,500	7,200	22,100	38,800	28,000	21,700	5,600	36,600	202,900

Note: 2021 Data was not available at time of report issuance
Source: California Employment Development Department (EDD)

FEE-PAID VEHICLE REGISTRATIONS AND FEES COLLECTED - AUTOMOBILES AND LIGHT TRUCKS IN SANTA BARBARA COUNTY - LAST TEN FISCAL YEARS



Fiscal Year	Vehicle Registrations	Registration Fees
2012	339,915	2,029,342
2013	343,609	2,051,399
2014	354,704	2,117,633
2015	358,959	2,143,037
2016	364,168	2,174,140
2017	375,923	2,244,316
2018	378,065	2,257,103
2019	380,708	2,272,886
2020	379,152	2,263,594
2021	390,976	2,334,184

Source: Santa Barbara County Air Pollution District Audited Fee Revenues

DEMOGRAPHIC AND MISCELLANEOUS STATISTICS

District Established:	September 14, 1970 with Santa Barbara County Board of Supervisors resolution 70-581
Area Covered:	2,774 square miles
County & Cities Included:	Santa Barbara County and the cities of Buellton, Carpinteria, Goleta, Guadalupe, Lompoc, Santa Barbara, Santa Maria, and Solvang
Population:	441,172 (as of January 1, 2021)
Transportation:	Railroads: The Union Pacific and passenger services by Amtrak's Pacific Surfliner Two commercial Airports: Santa Barbara Airport and Santa Maria, with connecting services to many international airports Freeways: U.S. 101 and six State highway routes 1, 135, 154, 166, 217, and 246
Visitor Destinations:	Santa Barbara Mission, Santa Barbara Harbor, Historic Downtown Santa Barbara, La Purisma Mission, Murals in Lompoc, Chumash Casino, Wine Country, Lake Cachuma, Beaches, State Parks, and National Forests
Registered Vehicles:	390,976 (in Fiscal Year 2020-21)
Average Total Daily Miles Traveled:	10.1 million (from a 2005 study)
Average Daily Vehicle Miles Traveled:	31.9 (from a 2000 study)
Average Trip Length:	9.2 (from a 2000 study)
Stationary Sources of Air Pollution Regulated:	Oil and Gas Production Facilities, Offshore Oil and Gas Production Facilities, Manufacturing Facilities, Mining Operations, Sand & Gravel Production, Government Military Installations, Dry Cleaning, Gas Stations, Paint Spray Booths, and Agricultural Water Pump Engines
Permitted or Registered Stationary Facilities:	1,089 Small, Medium, and Large
Number of Air Monitoring Stations:	12
Full-time Positions for 2019-20:	45.00 are authorized and 36.00 are funded.
Full-time Positions for 2020-21:	45.00 are authorized and 36.00 are funded.
Adopted 2020-21 Budget:	$14,495,810
Key Federal, State, and Local Air Agencies:	EPA Region IX (Environmental Protection Agency), CARB (California Air Resources Board) and 35 local air pollution control districts in California.