

**SANTA MARIA JOINT UNION
HIGH SCHOOL DISTRICT**

**AUDIT REPORT
JUNE 30, 2014**

San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
OF SANTA BARBARA COUNTY**

SANTA MARIA, CALIFORNIA

JUNE 30, 2014

The Santa Maria Joint Union High School District (the "District") is located in Santa Barbara County, California. The District was established in 1891. There were no changes in the boundaries of the District during the current year. During the 2013-14 school year, the District maintained three high schools and one continuation high school.

GOVERNING BOARD

Member	Office	Term Expires
Dr. Jerry Walsh	President	2014
Mr. Victor Tognazzini	Clerk	2016
Dr. Carol Karamitsos	Member	2014
Dr. Jack Garvin	Member	2016
Ms. Diana Perez	Member	2014

DISTRICT ADMINISTRATORS

Dr. Mark Richardson
Superintendent

Mr. John Davis
Assistant Superintendent Curriculum/Instruction

Mr. Tracy Marsh
Assistant Superintendent of Human Resources

Ms. Yolanda Ortiz
Assistant Superintendent of Business

Ms. Brenda Hoff
Director of Fiscal Services

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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State Board of Accountancy*

Governing Board
Santa Maria Joint Union High School District
Santa Maria, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Maria Joint Union High School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Santa Maria Joint Union High School 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Maria Joint Union High School District, as of June 30, 2014, 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 required supplementary information, such as management's discussion and analysis on pages 4 through 11, the budgetary comparison information on page 50, and the schedule of funding progress on page 51 be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Santa Maria Joint Union High School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014 on our consideration of Santa Maria Joint Union High School 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 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 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 Santa Maria Joint Union High School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 10, 2014

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

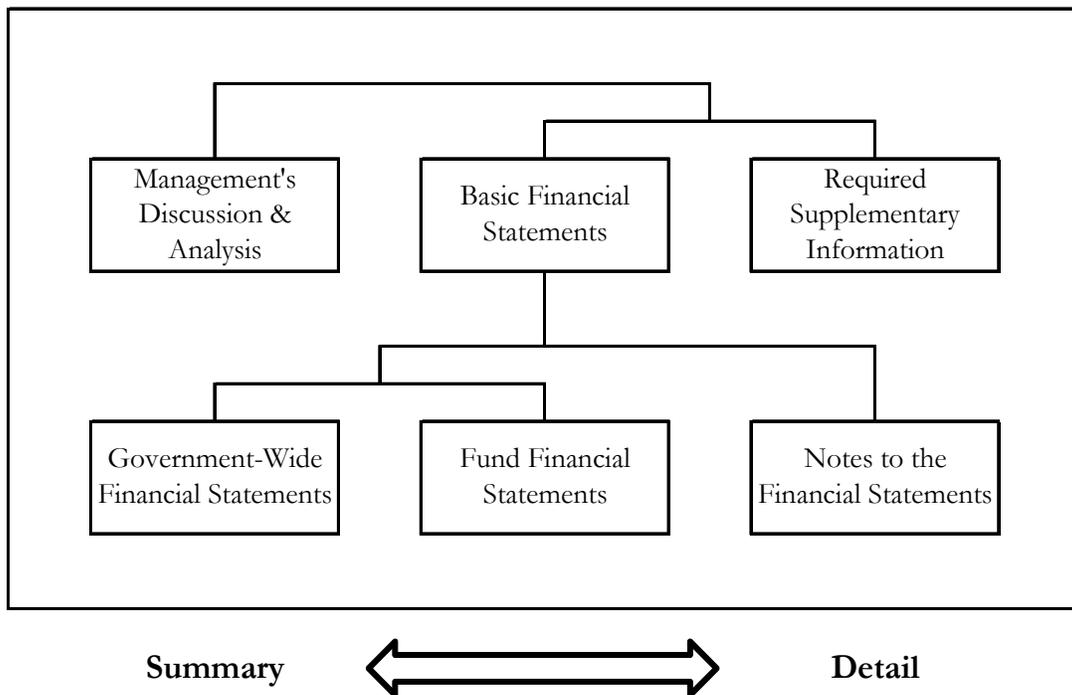
This discussion and analysis of Santa Maria Joint Union High School District (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was \$82,438,521 at June 30, 2014 . This was a increase of \$730,210 from the prior year.
- Overall revenues were \$79,032,911 which was greater than expenses of \$77,473,859
- Total capital assets increased by \$4,504,795
- Outstanding long-term debt increased by \$1,294,593

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2014**

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
 - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.
 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. LCFE funding and federal and state grants finance most of these activities.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's total net position was \$82,438,521 at June 30, 2014. Of this amount, (\$5,271,098) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2014	2013	Net Change
ASSETS			
Current and other assets	\$ 54,103,418	\$ 57,043,615	\$ (2,940,197)
Capital assets	121,260,606	116,755,811	4,504,795
Total Assets	175,364,024	173,799,426	1,564,598
LIABILITIES			
Current liabilities	9,865,208	7,450,037	2,415,171
Long-term liabilities	85,935,670	84,641,078	1,294,592
Total Liabilities	95,800,878	92,091,115	3,709,763
NET POSITION			
Net investment in capital assets	65,974,674	64,490,203	1,484,471
Restricted	21,734,946	20,106,936	1,628,010
Unrestricted	(5,271,099)	(2,888,828)	(2,382,271)
Total Net Position	\$ 82,438,521	\$ 81,708,311	\$ 730,210

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see the District's total revenues, expenses, and special items for the year.

Beginning net position was restated in 2014 due to GASB Statement No. 65, which no longer permits bond issuance costs to be amortized over the life of the bond. There was no restatement to beginning net position in 2013.

	Governmental Activities		
	2014	2013	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 1,375,087	\$ 1,441,457	\$ (66,370)
Operating grants and contributions	13,898,748	10,951,147	2,947,601
General revenues			
Property taxes	30,851,294	30,365,396	485,898
Unrestricted federal and state aid	31,144,620	25,203,976	5,940,644
Other	1,763,162	2,837,677	(1,074,515)
Total Revenues	79,032,911	70,799,653	8,233,258
EXPENSES			
Instruction	40,812,844	36,684,648	4,128,196
Instruction-related services	8,905,348	8,376,851	528,497
Pupil services	8,584,191	8,604,227	(20,036)
General administration	3,771,982	3,715,174	56,808
Plant services	8,575,839	8,216,596	359,243
Ancillary and community services	1,460,255	1,463,613	(3,358)
Debt service	3,151,896	2,571,186	580,710
Other Outgo	471,424	80,774	390,650
Depreciation	1,740,080	-	1,740,080
Other	-	4,287,099	(4,287,099)
Total Expenses	77,473,859	74,000,168	3,473,691
Change in net position	1,559,052	(3,200,515)	4,759,567
Net Position - Beginning, as Restated*	80,879,469	84,908,826	(4,029,357)
Net Position - Ending	\$ 82,438,521	\$ 81,708,311	\$ 730,210

* Restatement to Beginning Net Position relates to the 2014 year only.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The total net cost of services provided for the year ended June 30, 2014 was \$62,200,024.

	Net Cost of Services	
	2014	2013
Instruction	\$ 34,621,277	\$ 30,759,179
Instruction-related services	5,578,667	8,190,331
Pupil services	4,235,815	3,551,160
General administration	3,256,339	3,195,887
Plant services	8,212,007	7,818,549
Ancillary and community services	1,409,442	1,406,518
Debt service	3,151,896	2,571,186
Transfers to other agencies	(5,499)	(172,345)
Depreciation	1,740,080	4,287,099
Total Expenses	\$ 62,200,024	\$ 61,607,564

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$49,326,519, which is less than last year's ending fund balance of \$52,531,008. The District's General Fund had \$1,235,168 less in operating revenues than expenditures for the year ended June 30, 2014.

CURRENT YEAR BUDGET 2013-14

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval as needed to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2014**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2013-14 the District had invested \$121,260,606 in capital assets, net of accumulated depreciation.

	<u>Governmental Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
CAPITAL ASSETS			
Land	\$ 6,825,717	\$ 6,825,717	\$ -
Construction in progress	9,219,489	4,584,300	4,635,189
Land improvements	18,111,415	17,262,223	849,192
Buildings & improvements	112,014,535	112,013,905	630
Furniture & equipment	15,485,309	14,952,654	532,655
Accumulated depreciation	(40,395,859)	(38,882,988)	(1,512,871)
Total Capital Assets	\$121,260,606	\$116,755,811	\$ 4,504,795

Long-Term Debt

At year-end, the District had \$85,935,670 in long-term debt, an increase of 2% from last year. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	<u>Governmental Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>Net Change</u>
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 75,875,561	\$ 74,909,505	\$ 966,056
Total certificates of participation	4,006,104	4,451,133	(445,029)
Capital leases	60,190	116,694	(56,504)
Early retirement incentive	949,998	-	949,998
Compensated absences	407,656	346,308	61,348
Loans payable	89,590	101,369	(11,779)
Net OPEB obligation	9,541,058	8,699,797	841,261
Less: current portion of long-term debt	(4,994,487)	(3,983,728)	(1,010,759)
Total Long-term Liabilities	\$ 85,935,670	\$ 84,641,078	\$ 1,294,592

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2014**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

Landmark legislation passed in year 2013 reformed California school district finance by creating the new Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21, but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting new compliance and audit requirements.

The State's economy is expected to grow at a modest rate of about 3% annually over the next two years, according to the UCLA Anderson Economic Forecast for September 2014. In the California forecast, Senior Economist Jerry Nickelsburg writes, "The California economy is moving forward in an expansion from the depths of the Great Recession. But, even though the number of jobs is now higher than any time in the past, the state remains below its potential in output and employment. That we are entering the sixth year of expansion illustrates just how painfully plodding this recovery process has been." The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and remains uncertain.

GASB 68, *Accounting and Financial Reporting for Pensions*, will be effective in the following fiscal year, 2014-15. The new standard requires the reporting of annual pension cost using an actuarially determined method and a net pension liability is expected to result. The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability will be reported in the Statement of Net Position as of June 30, 2015. The amount of the liability is unknown at this time but is anticipated to be material to the financial position of the District. To address the underfunding issues, the pension plans intend to raise employer rates in future years and the increased costs could be significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2014-15 fiscal year.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2014**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Business Office at (805) 922-4573.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 47,540,005
Accounts receivable	6,451,205
Inventory	108,108
Prepaid expenses	4,100
Capital assets, not depreciated	16,045,206
Capital assets, net of accumulated depreciation	105,215,400
Total Assets	175,364,024
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding	2,875,375
LIABILITIES	
Accrued liabilities	4,869,785
Unearned revenue	936
Long-term liabilities, current portion	4,994,487
Long-term liabilities, non-current portion	85,935,670
Total Liabilities	95,800,878
NET POSITION	
Net investment in capital assets	65,974,674
Restricted:	
Capital projects	6,167,241
Debt service	10,068,350
Educational programs	3,949,806
All others	1,549,549
Unrestricted	(5,271,099)
Total Net Position	\$ 82,438,521

The accompanying notes are an integral part of these financial statements.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 40,812,844	\$ 44,552	\$ 6,147,015	\$ (34,621,277)
Instruction-related services				
Instructional supervision and administration	2,421,467	97	1,331,080	(1,090,290)
Instructional library, media, and technology	1,912,205	7,058	1,701,688	(203,459)
School site administration	4,571,676	-	286,758	(4,284,918)
Pupil services				
Home-to-school transportation	1,156,478	157,316	79,900	(919,262)
Food services	2,709,974	720,789	2,174,824	185,639
All other pupil services	4,717,739	50,553	1,164,994	(3,502,192)
General administration				
Centralized data processing	258,609	-	-	(258,609)
All other general administration	3,513,373	49,803	465,840	(2,997,730)
Plant services	8,575,839	148,329	215,503	(8,212,007)
Ancillary services	1,456,544	24	50,789	(1,405,731)
Community services	3,711	-	-	(3,711)
Interest on long-term debt	3,151,896	-	-	(3,151,896)
Other Outgo	471,424	196,566	280,357	5,499
Depreciation (unallocated)	1,740,080	-	-	(1,740,080)
Total Governmental Activities	\$ 77,473,859	\$ 1,375,087	\$ 13,898,748	(62,200,024)
General revenues				
Taxes and subventions				
				25,399,398
				5,402,671
				49,225
				31,144,620
				83,584
				2,400
				1,677,178
Subtotal, General Revenue				63,759,076
CHANGE IN NET POSITION				
				1,559,052
Net Position - Beginning, as Restated				
				80,879,469
Net Position - Ending				
				\$ 82,438,521

The accompanying notes are an integral part of these financial statements.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,057,029	\$ 21,865,004	\$ 10,058,648	\$ 7,561,710	\$ 46,542,391
Accounts receivable	5,873,483	23,830	9,702	543,335	6,450,350
Due from other funds	142,996	-	-	50,442	193,438
Stores inventory	66,217	-	-	41,891	108,108
Prepaid expenditures	4,000	-	-	100	4,100
Total Assets	\$ 13,143,725	\$ 21,888,834	\$ 10,068,350	\$ 8,197,478	\$ 53,298,387
LIABILITIES					
Accrued liabilities	\$ 2,989,159	\$ 492,632	\$ -	\$ 295,703	\$ 3,777,494
Due to other funds	50,442	-	-	142,996	193,438
Unearned revenue	936	-	-	-	936
Total Liabilities	3,040,537	492,632	-	438,699	3,971,868
FUND BALANCES					
Nonspendable	85,217	-	-	41,991	127,208
Restricted	3,949,806	21,396,202	10,068,350	7,716,788	43,131,146
Assigned	1,955,942	-	-	-	1,955,942
Unassigned	4,112,223	-	-	-	4,112,223
Total Fund Balances	10,103,188	21,396,202	10,068,350	7,758,779	49,326,519
Total Liabilities and Fund Balances	\$ 13,143,725	\$ 21,888,834	\$ 10,068,350	\$ 8,197,478	\$ 53,298,387

The accompanying notes are an integral part of these financial statements.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
JUNE 30, 2014**

Total Fund Balance - Governmental Funds \$ 49,326,519

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 161,656,465	
Accumulated depreciation	<u>(40,395,859)</u>	121,260,606

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

2,875,375

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(1,088,344)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 75,875,561	
Total certificates of participation	4,006,104	
Capital leases	60,190	
Early retirement incentive	949,998	
Compensated absences	407,656	
Loans payable	89,590	
Net OPEB obligation	<u>9,541,058</u>	(90,930,157)

Internal service funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

994,522

Total Net Position - Governmental Activities \$ 82,438,521

The accompanying notes are an integral part of these financial statements.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCCF sources	\$ 55,086,400	\$ -	\$ -	\$ -	\$ 55,086,400
Federal sources	4,431,321	-	-	2,097,921	6,529,242
Other state sources	7,829,182	-	59,143	175,713	8,064,038
Other local sources	1,516,769	243,028	5,383,366	2,210,068	9,353,231
Total Revenues	68,863,672	243,028	5,442,509	4,483,702	79,032,911
EXPENDITURES					
Current					
Instruction	39,305,081	-	-	-	39,305,081
Instruction-related services					
Instructional supervision and administration	2,398,241	-	-	-	2,398,241
Instructional library, media, and technology	2,972,461	-	-	-	2,972,461
School site administration	4,528,774	-	-	-	4,528,774
Pupil services					
Home-to-school transportation	1,394,307	-	-	-	1,394,307
Food services	-	-	-	2,698,178	2,698,178
All other pupil services	4,629,558	-	-	-	4,629,558
General administration					
Centralized data processing	257,373	-	-	-	257,373
All other general administration	3,212,570	-	-	154,141	3,366,711
Plant services	8,112,645	373,562	-	220,058	8,706,265
Facilities acquisition and maintenance	871,664	3,059,883	-	682,244	4,613,791
Ancillary services	1,649,482	-	-	-	1,649,482
Community services	3,711	-	-	-	3,711
Transfers to other agencies	193,365	-	-	-	193,365
Debt service					
Principal	447,990	-	2,545,000	85,369	3,078,359
Interest and other	121,618	-	2,313,102	27,070	2,461,790
Total Expenditures	70,098,840	3,433,445	4,858,102	3,867,060	82,257,447
Excess (Deficiency) of Revenues					
Over Expenditures	(1,235,168)	(3,190,417)	584,407	616,642	(3,224,536)
Other Financing Sources (Uses)					
Transfers in	100,000	-	-	-	100,000
Other sources	20,047	-	-	-	20,047
Transfers out	-	-	-	(100,000)	(100,000)
Net Financing Sources (Uses)	120,047	-	-	(100,000)	20,047
NET CHANGE IN FUND BALANCE	(1,115,121)	(3,190,417)	584,407	516,642	(3,204,489)
Fund Balance - Beginning	11,218,309	24,586,619	9,483,943	7,242,137	52,531,008
Fund Balance - Ending	\$ 10,103,188	\$ 21,396,202	\$ 10,068,350	\$ 7,758,779	\$ 49,326,519

The accompanying notes are an integral part of these financial statements.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances - Governmental Funds \$ (3,204,489)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$	6,343,417	
Depreciation expense:		<u>(1,937,164)</u>	4,406,253

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

3,078,359

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(20,047)

Deferred amounts on refunding:

In governmental funds, deferred amounts on refundings are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refundings are amortized over the life of the debt. The net effect of the deferred amounts on refundings during the period was:

(278,059)

Gain or loss from the disposal of capital assets:

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

98,542

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

(332,484)

The accompanying notes are an integral part of these financial statements.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2014**

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. (634,616)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: (61,348)

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (841,261)

Other liabilities not normally liquidated with current financial resources:

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were: (949,998)

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 276,994

Internal Service Funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 21,206

Change in Net Position of Governmental Activities

\$ 1,559,052

The accompanying notes are an integral part of these financial statements.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2014**

	Governmental Activities
	Internal Service Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 997,614
Accounts receivable	855
Total current assets	<u>998,469</u>
Total Assets	<u>998,469</u>
LIABILITIES	
Current liabilities	
Accrued liabilities	<u>3,947</u>
Total current liabilities	<u>3,947</u>
Total Liabilities	<u>3,947</u>
NET POSITION	
Unrestricted	<u>994,522</u>
Total Net Position	<u>\$ 994,522</u>

The accompanying notes are an integral part of these financial statements.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2014**

	Governmental Activities
	Internal Service Fund
OPERATING REVENUE	
Charges for services	\$ 747,999
Other local revenues	60,215
Total operating revenues	<u>808,214</u>
OPERATING EXPENSE	
Professional services	789,970
Total operating expenses	<u>789,970</u>
Operating income/(loss)	<u>18,244</u>
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	2,962
Total non-operating revenues/(expenses)	<u>2,962</u>
CHANGE IN NET POSITION	21,206
Net Position - Beginning	973,316
Net Position - Ending	<u>\$ 994,522</u>

The accompanying notes are an integral part of these financial statements.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2014**

	Governmental Activities
	Internal Service Fund
Cash flows from operating activities	
Cash received from user charges	\$ 808,918
Cash payments for payroll, insurance, and operating costs	(786,023)
Net cash provided by (used for) operating activities	<u>22,895</u>
Cash flows from investing activities	
Interest received	2,962
Net cash provided by (used for) investing activities	<u>2,962</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>25,857</u>
 CASH AND CASH EQUIVALENTS	
Beginning of year	971,757
End of year	<u>\$ 997,614</u>
 Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income (loss)	\$ 18,244
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(222)
(Increase) decrease in prepaid expense	926
Increase (decrease) in accounts payable	3,947
Net cash provided by (used for) operating activities	<u>\$ 22,895</u>

The accompanying notes are an integral part of these financial statements.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Agency Fund</u>
	<u>Student Body</u>
	<u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 773,064
Total Assets	<u>\$ 773,064</u>
LIABILITIES	
Due to student groups	\$ 773,064
Total Liabilities	<u>\$ 773,064</u>

The accompanying notes are an integral part of these financial statements.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Santa Maria Joint Union High School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades 9-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. **Basis of Presentation** (*continued*)

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

County School Facilities Fund: This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

Proprietary Funds

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section 17566*).

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

D. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

The District’s cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	20 - 50
Site Improvements	20
Equipment	5 - 15

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Premiums and Discounts

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until a future period.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until a future period.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. Estimates

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

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

J. New Accounting Pronouncements

GASB Statement No. 65 – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for periods beginning after December 15, 2012. The District has implemented GASB Statement No. 65 for the year ended June 30, 2014.

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has not yet determined the impact on the financial statements.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This standard seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The Statement is effective for periods beginning after June 15, 2014. The District has not yet determined the impact on the financial statements.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2014

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental	Internal Service	Total	Fiduciary
	Funds	Funds	Governmental	Funds
			Activities	
Cash in county	\$ 46,531,173	\$ 880,842	\$ 47,412,015	\$ 27
Fair value adjustment to cash in county treasury	(46,912)	(3,501)	(50,413)	-
Cash on hand and in banks	2,606	120,273	122,879	409,327
Cash with fiscal agent	40,289	-	40,289	-
Cash in revolving fund	15,000	-	15,000	-
Cash collections awaiting deposit	235	-	235	-
Certificates of deposit	-	-	-	363,710
Total cash and cash equivalents	\$ 46,542,391	\$ 997,614	\$ 47,540,005	\$ 773,064

B. Policies and Practices

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

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Santa Barbara County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2014

NOTE 2 – CASH AND INVESTMENTS (*continued*)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$47,387,215 and an amortized book value of \$47,412,015. The average weighted maturity for this pool is 587 days.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2014

NOTE 2 – CASH AND INVESTMENTS (continued)

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2014, the pooled investments in the County Treasury were rated at least A.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014 consisted of the following:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal Government						
Categorical aid	\$ 407,900	\$ -	\$ -	\$ 498,459	\$ -	\$ 906,359
State Government						
Apportionment	4,500,248	-	-	-	-	4,500,248
Categorical aid	38,674	-	-	37,062	-	75,736
Lottery	243,338	-	-	-	-	243,338
Local Government						
Other local sources	683,323	23,830	9,702	7,814	855	725,524
Total	\$ 5,873,483	\$ 23,830	\$ 9,702	\$ 543,335	\$ 855	\$ 6,451,205

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2014

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance			Balance
	July 01, 2013	Additions	Deletions	June 30, 2014
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 6,825,717	\$ -	\$ -	\$ 6,825,717
Construction in progress	4,584,300	5,009,388	374,199	9,219,489
Total Capital Assets not Being Depreciated	11,410,017	5,009,388	374,199	16,045,206
Capital assets being depreciated				
Land improvements	17,262,223	849,192	-	18,111,415
Buildings & improvements	112,013,905	630	-	112,014,535
Furniture & equipment	14,952,654	858,406	325,751	15,485,309
Total Capital Assets Being Depreciated	144,228,782	1,708,228	325,751	145,611,259
Less Accumulated Depreciation				
Land improvements	3,510,901	821,076	-	4,331,977
Buildings & improvements	21,990,675	1,997,632	-	23,988,307
Furniture & equipment	13,381,412	-	1,305,837	12,075,575
Total Accumulated Depreciation	38,882,988	2,818,708	1,305,837	40,395,859
Governmental Activities				
Capital Assets, net	\$ 116,755,811	\$ 3,898,908	\$ (605,887)	\$ 121,260,606

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2014

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2014 were as follows:

	Due To Other Funds	Due From Other Funds		
		General Fund	Non-Major Governmental Funds	Total
General Fund		\$ -	\$ 50,442	\$ 50,442
Non-Major Governmental Funds		142,996	-	142,996
Total Due From Other Funds		\$ 142,996	\$ 50,442	\$ 193,438
Cafeteria Special Revenue Fund due to the General Fund for indirect costs and OPEB allocation.				\$ 42,457
Special Reserve Fund for Capital Outlay Projects due to the General Fund to support capital facilities projects.				100,539
General Fund due to the Cafeteria Special Revenue Fund for catering and food services costs.				1,217
General Fund due to the Special Reserve Fund for Capital Outlay Projects for pass through of RDA facilities funds.				49,225
Total				\$ 193,438

B. Operating Transfers

Interfund transfers for the year ended June 30, 2014 consisted of one transfer from the Special Reserve for Capital Outlay Projects to the General Fund in the amount of \$100,000 to support capital facilities projects.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2014 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental		Internal Service Funds	District-Wide	Total Governmental
			Funds	Activities			
Payroll	\$ 36,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,850
Construction	-	492,632	282,157	-	-	-	774,789
Vendors payable	1,668,551	-	13,546	-	-	-	1,682,097
Unmatured interest	-	-	-	-	1,088,344	-	1,088,344
Other liabilities	1,283,758	-	-	3,947	-	-	1,287,705
Total	\$ 2,989,159	\$ 492,632	\$ 295,703	\$ 3,947	\$ 1,088,344	\$ -	\$ 4,869,785

NOTE 7 – UNEARNED REVENUE

Unearned revenue in the General Fund at June 30, 2014 consisted of \$936 attributed to federal sources.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2014

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2014 consisted of the following:

	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 68,133,094	\$ -	\$ 2,545,000	\$ 65,588,094	\$ 3,475,000
Unamortized premium	7,304,740	-	276,994	7,027,746	276,994
Accreted interest	2,625,105	634,616	-	3,259,721	-
Deferred amount on refunding	(3,153,434)	-	(3,153,434)	-	-
Total general obligation bonds	74,909,505	634,616	(331,440)	75,875,561	3,751,994
Certificates of participation	4,451,133	-	445,029	4,006,104	289,237
Capital leases	116,694	-	56,504	60,190	60,190
Early retirement incentive	-	949,998	-	949,998	405,833
Compensated absences	346,308	468,458	407,110	407,656	-
Loans payable	101,369	20,047	31,826	89,590	28,962
Net OPEB obligation	8,699,797	1,278,060	436,799	9,541,058	458,271
Total	\$ 88,624,806	\$ 3,351,179	\$ 1,045,828	\$ 90,930,157	\$ 4,994,487

A. Compensated Absences

Total unpaid employee compensated absences as of amounted to \$407,656. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Certificates of Participation

The annual requirements to amortize the certificates of participation outstanding at June 30, 2014 are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 289,237	\$ 127,867	\$ 417,104
2016	313,836	118,269	432,105
2017	338,232	107,873	446,105
2018	368,468	96,636	465,104
2019	393,646	84,458	478,104
2020 - 2024	2,302,685	210,837	2,513,522
Total	\$ 4,006,104	\$ 745,940	\$ 4,752,044

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2014

NOTE 8 – LONG-TERM DEBT (continued)

C. General Obligation Bonds

The outstanding general obligation bonded debt of the District as of June 30, 2014 is as follows:

Series	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2014
				Outstanding July 01, 2013	Additions	Deductions	
Election 2000, Series B	2025	2.0%-4.375%	\$ 12,000,000	\$ 2,525,000	\$ -	\$ -	2,525,000
Election 2004, Series 2005	2031	2.0%-5.010%	34,998,222	5,728,221	-	520,000	5,208,221
2006 Refunding	2021	4.0%-5.000%	25,452,727	18,060,000	-	1,750,000	16,310,000
Election 2004, Series 2013	2038	2.0%-5.350%	14,999,873	14,999,873	-	-	14,999,873
2013 Refunding	2027	4.0%-5.000%	26,820,000	26,820,000	-	275,000	26,545,000
				<u>\$ 68,133,094</u>	<u>\$ -</u>	<u>\$ 2,545,000</u>	<u>\$ 65,588,094</u>

The annual requirements to amortize the Election 2000, Series B general obligation bonds outstanding at June 30, 2014, are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ -	\$ 136,750	\$ 136,750
2016	325,000	136,750	461,750
2017	-	123,750	123,750
2018	-	123,750	123,750
2019	-	123,750	123,750
2020 - 2024	1,390,000	581,625	1,971,625
2025	810,000	45,563	855,563
Total	<u>\$ 2,525,000</u>	<u>\$ 1,271,938</u>	<u>\$ 3,796,938</u>

The annual requirements to amortize the Election 2004, Series 2005 general obligation bonds outstanding at June 30, 2014, are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 680,000	\$ 55,760	\$ 735,760
2016	850,000	34,000	884,000
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020 - 2024	-	-	-
2025 - 2029	3,196,453	7,047,948	10,244,401
2030 - 2031	481,768	5,813,830	6,295,598
Total	<u>\$ 5,208,221</u>	<u>\$ 12,951,538</u>	<u>\$ 18,159,759</u>

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2014

NOTE 8 – LONG-TERM DEBT (continued)

C. General Obligation Bonds (continued)

The annual requirements to amortize the 2006 Refunding general obligation bonds outstanding at June 30, 2014, are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 1,935,000	\$ 767,125	\$ 2,702,125
2016	2,090,000	666,500	2,756,500
2017	1,825,000	568,625	2,393,625
2018	1,995,000	473,125	2,468,125
2019	2,725,000	355,125	3,080,125
2020 - 2021	5,740,000	268,250	6,008,250
Total	\$ 16,310,000	\$ 3,098,750	\$ 19,408,750

The annual requirements to amortize the Election 2004, Series 2013 general obligation bonds outstanding at June 30, 2014 are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 840,000	\$ 483,850	\$ 1,323,850
2016	740,000	467,050	1,207,050
2017	360,000	444,850	804,850
2018	320,000	434,050	754,050
2019	-	421,250	421,250
2020 - 2024	-	2,106,250	2,106,250
2025 - 2029	-	2,106,250	2,106,250
2030 - 2034	8,425,000	1,705,500	10,130,500
2035 - 2038	4,314,873	-	4,314,873
Total	\$ 14,999,873	\$ 8,169,050	\$ 23,168,923

The annual requirements to amortize the 2013 Refunding general obligation bonds outstanding at June 30, 2014 are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 20,000	\$ 1,131,100	\$ 1,151,100
2016	20,000	1,130,700	1,150,700
2017	2,090,000	1,130,300	3,220,300
2018	2,375,000	1,067,600	3,442,600
2019	1,755,000	972,600	2,727,600
2020 - 2024	10,100,000	3,967,575	14,067,575
2025 - 2027	10,185,000	1,059,000	11,244,000
Total	\$ 26,545,000	\$ 10,458,875	\$ 37,003,875

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2014

NOTE 8 – LONG-TERM DEBT (continued)

D. Capital Lease

On February 1, 2013, the District entered into an agreement with DELL Financial Services to lease for acquisition of VMware virtual servers for its network infrastructure.

The annual requirements to amortize the outstanding capital lease at June 30, 2014, are as follows:

<u>Year Ended June 30,</u>	<u>Payment</u>
2015	\$ 60,190
	<u>\$ 60,190</u>

E. Loans Payable

During the year ended June 30, 2013, the District received a loan from Pacific Gas and Electric through their energy efficiency retrofit loan program in the amount of \$111,023, which is payable in monthly installments of \$2,414 for a term of 46 months. The balance of the loan outstanding as of June 30, 2014 was \$72,407.

During the year ended June 30, 2014, the District received a loan from Pacific Gas and Electric through their energy efficiency retrofit loan program in the amount of \$20,047, which is payable in monthly installments of \$2,864 for a term of 7 months. The balance of the loan outstanding as of June 30, 2014 was \$17,183.

F. Early Retirement Incentive

During the year ended June 30, 2014, the District offered and entered into several early retirement incentive agreements for certificated employees.

The annual requirements to amortize the outstanding early retirement incentives at June 30, 2014, are as follows:

<u>Year Ended June 30,</u>	<u>Payment</u>
2015	\$ 405,833
2016	405,833
2017	105,832
2018	22,500
2019	10,000
	<u>\$ 949,998</u>

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2014

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2014:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Stores inventory	66,217	-	-	41,891	108,108
Prepaid expenditures	4,000	-	-	100	4,100
Total non-spendable	85,217	-	-	41,991	127,208
Restricted					
Educational programs	3,949,806	-	-	-	3,949,806
Capital projects	-	21,396,202	-	6,167,239	27,563,441
Debt service	-	-	10,068,350	-	10,068,350
All others	-	-	-	1,549,549	1,549,549
Total restricted	3,949,806	21,396,202	10,068,350	7,716,788	43,131,146
Assigned					
Deferred Maintenance Fund	305,684	-	-	-	305,684
Special Reserve Fund for Other Than Capital Outlay Projects	1,191,634	-	-	-	1,191,634
Other assignments	458,624	-	-	-	458,624
Total assigned	1,955,942	-	-	-	1,955,942
Unassigned					
Reserve for economic uncertainties	2,104,656	-	-	-	2,104,656
Remaining unassigned	2,007,567	-	-	-	2,007,567
Total unassigned	4,112,223	-	-	-	4,112,223
Total	\$ 10,103,188	\$ 21,396,202	\$ 10,068,350	\$ 7,758,779	\$ 49,326,519

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2014

NOTE 10 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

The District administers a single-employer defined benefit other postemployment plan (OPEB), that provides medical, dental, and vision insurance benefits to eligible retirees. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans*, in 2008-09.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	61
Active plan members	636
Total*	697
 Number of participating employers	 1

**As of July 1, 2012 actuarial study*

Three-tiered rates (Single, Two-Party, and Family) are used for all benefits. The rates for early retirees are the same as those for active employees under the Certificated plan, meaning that the early retirees are being subsidized by premiums charged to the District for its active employees. The SISC retiree-only rates are designed to be non-subsidized, but the spouse's portion of the second tier rate is 28% subsidized.

Upon attainment of a minimum age (55 for Certificated and Certificated Management, 50 for Classified, Classified Management, and Confidential) and completion of a minimum District service requirement (5 years for Management, 10 years for all other groups), an employee may retire and remain covered at the District's expense for a period depending on employment classification, and subject to making monthly retiree contributions.

District-paid coverage ends at age 65 for all eligible Certificated, Certificated Management, and Classified Management retirees. Classified and Confidential retirees benefits continue until the earlier of 10 years of benefits or age 65. For Classified and Confidential employees hired prior to January 1, 2008, the 10-year benefit period is increased by 1 year for each year of active service in excess of 10 years, to a maximum of 15 years of benefits (or age 65, if earlier.) Board members do not earn retiree healthcare benefits by reason of their Board service, but may retain rights to benefits earned while covered under one of the active employee classifications.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2014

NOTE 10 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

A. Plan Description and Contribution Information (continued)

District-paid benefits include medical/prescription drug (offered as a package) for all eligible retirees, and dental and vision insurance for Certificated retirees. For groups other than Certificated, the District's contribution towards medical/Rx benefits is limited to the amount of the premium (by tier) for SISC base plan. The District caps for Certificated retirees also vary by tier based on the High Desert Trust rate structure, and are applied before adding on dental and vision premiums for retirees and any covered dependents.

B. Funding Policy

The District's contribution is currently based on a project pay-as-you-go funding method, that is, benefits are payable when due.

As of June 30, 2014, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$	1,947,250
Interest on net OPEB obligation		336,221
Adjustment to annual required contribution		(780,330)
Annual OPEB cost (expense)		<u>1,503,141</u>
Contributions made		<u>(661,880)</u>
Increase (decrease) in net OPEB obligation		841,261
Net OPEB obligation, beginning of the year		<u>8,699,797</u>
Net OPEB obligation, end of the year	\$	<u>9,541,058</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2014 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	\$ 1,503,141	44%	\$ 9,541,058
2013	\$ 1,814,300	31%	\$ 8,699,797
2012	\$ 1,686,536	51%	\$ 7,456,497

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2014

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	\$ -	\$ 14,416,969	\$ 14,416,969	0%	\$ 53,538,923	27%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation Date	7/1/2012
Actuarial Cost Method	Projected Unit Cost
Amortization Method	30-year level dollar, open period
Remaining Amortization Period	30 years
Asset Valuation	\$ -
Actuarial Assumptions:	
Return on Assets	4.0%
Discount rate	4.0%
Health care trend rate	8.0%

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2014

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

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

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary for fiscal year 2014 and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2013-14	\$ 2,437,761	100%
2012-13	\$ 2,298,361	100%
2011-12	\$ 2,308,108	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,455,927 to CalSTRS (5.204% of 2011-12 creditable compensation subject to CalSTRS).

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2014

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

California Public Employees’ Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2014 was 11.442% of annual payroll. The District’s contributions to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2013-14	\$ 1,503,560	100%
2012-13	\$ 1,437,067	100%
2011-12	\$ 1,387,073	100%

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2014

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2014.

C. Construction Commitments

As of June 30, 2014, the District had commitments with respect to unfinished capital projects of \$6,939,762.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in a joint venture under a joint powers agreement (JPA) with the Self Insurance Program for Employees (SIPE). SIPE was established to provide services necessary and appropriate for the development, operation and maintenance of a self-insurance system for workers' compensation claims against the public educational agencies who are members. The participants consist of the Santa Barbara County Office of Education and various school districts. Each participant may appoint one representative to the governing board. The governing board is responsible for establishing premium rates and making budget and operational decisions for SIPE independent of any influence by the District beyond their board member representation. Each participant shares surpluses and deficits proportionate to their participation in SIPE. In the event SIPE is terminated, the District would be liable for its proportionate share of all unpaid claims.

The relationship between the District and SIPE is such that SIPE is not a component unit of the District for financial reporting purposes.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2014

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES (continued)

The District participates in a joint venture under a joint powers agreement (JPA) with the Self-Insured Schools of California Property and Liability Program (SISC II). The SISC II arranges for and provides property and liability insurance for its member school districts and other educational agencies. The District pays a premium commensurate with the level of coverage required. The JPA is independently accountable for its fiscal matters. SISC II maintains its own accounting records and its budgets are not subject to any approval than that of the governing board. Member districts share surpluses and deficits proportionate to their participation in the SISC II.

The relationship between the District and SISC II is such that the SISC II is not a component unit of the District for financial reporting purposes.

The District participates in a joint venture under the joint powers agreement (JPA) with the Santa Barbara County Schools Financing Authority. The Authority’s purpose is providing financing assistance for construction and acquisition of major capital facilities to its four members: The District, Goleta Union School District, Hope Elementary School District, Santa Barbara Unified School District. The Authority is governed by a board comprised of the chief business officer of each member.

The relationship between the District and the Authority is such that the Authority is not a component unit of the District for financial reporting purposes.

NOTE 14 – DEFERRED OUTFLOWS 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 recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District’s long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2014, the deferred amount on refunding was \$2,875,375.

NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to reflect the elimination of amortization of debt issuance costs in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	\$ 81,708,311
Restatement	(828,842)
Net Position - Beginning, as Restated	<u>\$ 80,879,469</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 45,927,274	\$ 55,086,399	\$ 55,086,400	\$ 1
Federal sources	3,580,459	4,562,074	4,431,321	(130,753)
Other state sources	10,963,893	7,902,314	7,829,182	(73,132)
Other local sources	800,022	1,118,269	1,506,749	388,480
Total Revenues	61,271,648	68,669,056	68,853,652	184,596
EXPENDITURES				
Certificated salaries	28,887,537	30,902,435	30,896,971	5,464
Classified salaries	11,336,516	12,365,224	12,344,589	20,635
Employee benefits	11,743,191	11,733,163	11,545,819	187,344
Books and supplies	3,315,105	5,147,626	4,564,039	583,587
Services and other operating expenditures	6,521,113	7,532,783	7,487,649	45,134
Capital outlay	178,117	2,505,308	2,326,102	179,206
Other outgo				
Excluding transfers of indirect costs	566,744	762,976	762,973	3
Transfers of indirect costs	(134,785)	(130,862)	(130,862)	-
Total Expenditures	62,413,538	70,818,653	69,797,280	1,021,373
Excess (Deficiency) of Revenues Over Expenditures	(1,141,890)	(2,149,597)	(943,628)	1,205,969
Other Financing Sources (Uses)				
Transfers in	-	100,000	100,000	-
Other sources	-	20,047	20,047	-
Transfers out	(257,878)	(357,878)	(357,878)	-
Net Financing Sources (Uses)	(257,878)	(237,831)	(237,831)	-
NET CHANGE IN FUND BALANCE	(1,399,768)	(2,387,428)	(1,181,459)	1,205,969
Fund Balance - Beginning	9,787,331	9,787,331	9,787,331	-
Fund Balance - Ending	\$ 8,387,563	\$ 7,399,903	\$ 8,605,872	\$ 1,205,969

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, Special Reserve Other than Capital Outlay Fund in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAAL as a Percentage of Covered Payroll
July 1, 2012	\$ -	\$ 14,416,969	\$ 14,416,969	0%	\$ 53,538,923	27%
July 1, 2010	\$ -	\$ 12,464,084	\$ 12,464,084	0%	\$ 41,083,219	30%
July 1, 2008	\$ -	\$ 11,089,739	\$ 11,089,739	0%	\$ 39,687,349	28%

See accompanying note to required supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2014, the District incurred no excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

**SUPPLEMENTARY
INFORMATION**

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low -Income and Neglected	84.010	14329	\$ 2,208,667
Title I, Migrant Education	84.011	14838	379,828
Title I, Migrant Education Summer Program	84.011	10005	35,904
Title II, Part A, Teacher Quality	84.367A	14341	315,486
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	146,187
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,262,303
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	222,846
Regional Safety Grant	84.330	10044	33,660
Total U. S. Department of Education			<u>5,604,881</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	23668	518,337
National School Lunch Program	10.555	13391	1,571,650
Summer Food Service Program for Children	10.559	13004	7,933
Subtotal Child Nutrition Cluster			<u>2,097,920</u>
Total U. S. Department of Agriculture			<u>2,097,920</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	13,523
Total U. S. Department of Health & Human Services			<u>13,523</u>
Total Federal Expenditures			<u>\$ 7,716,324</u>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
 FOR THE YEAR ENDED JUNE 30, 2014**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
Ninth through Twelfth		
Regular ADA	7,246	7,186
Extended-Year Special Education	13	14
Total Ninth through Twelfth	<u>7,259</u>	<u>7,200</u>
TOTAL SCHOOL DISTRICT	<u>7,259</u>	<u>7,200</u>

See accompanying note to supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2014**

Grade Level	Minutes Requirement	Minutes Requirement Reduced	2013-14 Actual Minutes	Number of Days	Status
Grade 9	64,800	63,000	65,450	180	Complied
Grade 10	64,800	63,000	65,450	180	Complied
Grade 11	64,800	63,000	65,450	180	Complied
Grade 12	64,800	63,000	65,450	180	Complied

See accompanying note to supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

	2015 (Budget)	2014	2013	2012
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 74,325,916	\$ 68,973,699	\$ 66,153,404	\$ 62,823,896
Expenditures And Other Financing Uses	77,561,084	70,155,158	67,239,554	64,060,071
Net change in Fund Balance	\$ (3,235,168)	\$ (1,181,459)	\$ (1,086,150)	\$ (1,236,175)
Ending Fund Balance	\$ 5,370,704	\$ 8,605,872	\$ 9,787,331	\$ 10,873,481
Available Reserves*	\$ 2,577,595	\$ 4,112,225	\$ 5,035,257	\$ 7,080,900
Available Reserves As A Percentage Of Outgo	3.32%	5.86%	7.49%	11.05%
Long-term Debt	\$ 85,935,670	\$ 90,930,157	\$ 88,624,806	\$ 70,235,252
Average Daily Attendance At P-2	7,279	7,259	7,192	7,230

The General Fund balance has decreased by \$2,267,609 over the past two years. The fiscal year 2014-15 budget projects a further decrease of \$3,235,168. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in each of the past three years and anticipates incurring an operating deficit during the 2014-15 fiscal year. Total long term obligations have increased by \$20,694,905 over the past two years.

Average daily attendance has increased by 29 ADA over the past two years. An increase of 20 ADA is anticipated during the 2014-15 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund and Special Reserve Other than Capital Outlay Funds, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Than Capital Outlay Projects
June 30, 2014, annual financial and budget report fund balance	\$ 8,605,870	\$ 305,684	\$ 1,191,634
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Fund balance transfer (GASB 54)	1,497,318	(305,684)	(1,191,634)
Net adjustments and reclassifications	1,497,318	(305,684)	(1,191,634)
June 30, 2014, audited financial statement fund balance	\$ 10,103,188	\$ -	\$ -

See accompanying note to supplementary information.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2014

The District is not a sponsoring local educational agency for any charter schools.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2014**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2014 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2014.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 6,529,242
IDEA Basic Local Assistance Entitlement, Part B, Sec. 611	84.027	1,230,358
Medi-Cal Billing Option	93.778	(42,979)
Forest Reserve Payment	10.665	(297)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 7,716,324</u>

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections 46200 through 46208*. During the year ended June 30, 2014, the District participated in the Longer Day incentive funding program. As of June 30, 2014, the District had not yet met its target funding. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section 46201.2*.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2014**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools operating within the District's enrollment boundaries, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration. (Located in the front of the audit report)

**OTHER INDEPENDENT
AUDITORS' REPORTS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

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*Licensed by the California
State Board of Accountancy*

Independent Auditors' Report

Governing Board
Santa Maria Joint Union High School District
Santa Maria, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Maria Joint Union High School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Santa Maria Joint Union High School District's basic financial statements, and have issued our report thereon dated December 10, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Santa Maria Joint Union High School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Santa Maria Joint Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Santa Maria Joint Union High School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Findings #2014-1 and #2014-2)

Compliance and Other Matters

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

Santa Maria Joint Union High School District's Response to Findings

Santa Maria Joint Union High School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Santa Maria Joint Union High School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



San Diego, California
December 10, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

John Whitehouse, CPA

Heather Rubio

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Independent Auditors' Report

Governing Board
Santa Maria Joint Union High School District
Santa Maria, California

Report on Compliance for Each Major Federal Program

We have audited Santa Maria Joint Union High School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Santa Maria Joint Union High School District's major federal programs for the year ended June 30, 2014. Santa Maria Joint Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Santa Maria Joint Union High School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Santa Maria Joint Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Santa Maria Joint Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Santa Maria Joint Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Santa Maria Joint Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Santa Maria Joint Union High School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



San Diego, California
December 10, 2014

REPORT ON STATE COMPLIANCE

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

John Whitehouse, CPA

Heather Rubio

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Independent Auditors' Report

Governing Board
Santa Maria Joint Union High School District
Santa Maria, California

Report on State Compliance

We have audited Santa Maria Joint Union High School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2013-14*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Santa Maria Joint Union High School District's state programs for the fiscal year ended June 30, 2014, as identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Santa Maria Joint Union High School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2013-14*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Santa Maria Joint Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Santa Maria Joint Union High School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, Santa Maria Joint Union High School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2014.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine Santa Maria Joint Union High School District's compliance with the state laws and regulations applicable to the following items:

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Not Applicable
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time for school districts	10	Yes
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
After School Education and Safety Program:		
General requirements	4	Not Applicable
After school	5	Not Applicable
Before school	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance; for charter schools	8	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

We did not perform testing for the California Clean Energy Jobs Act because there were no expenditures of program funds for the year ended June 30, 2014.

Christy White Associates

San Diego, California
December 10, 2014

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>	
<u>84.010</u>	<u>Title I, Part A</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>300,000</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

FINDING #2014-1: STUDENT BODY FUNDS (30000)

Criteria: Proper internal controls are necessary to ensure the safeguard over the Associated Student Body (ASB) assets. Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

Santa Maria High School

Two (2) out of ten (10) cash receipts selected for testing were lacking supporting documentation. All cash receipts should be supporting by ticket collection worksheets or inventory tally sheets in order to properly verify the amount of cash collected. The cash receipts lacking supporting documentation were as follows:

- Receipt # 212431 for firework sales in the amount of \$11,007.58 on 7/4/2013.
- Deposit # 2835 for firework sales in the amount of \$8,692.55 on 7/13/2013.

One (1) out of ten (10) cash receipts selected for testing did not trace correctly from supporting documentation to the actual deposit amount. The amount of cash collected according to the cash count sheet was \$11,067.58 however the amount deposited was \$11,007.58.

- Receipt # 212431 for firework sales in the amount of \$11,007.58 on 7/4/2013.

Righetti High School

Five (5) out of ten (10) cash receipts selected for testing lacked supporting documentation. All cash receipts should be supporting by ticket collection worksheets or inventory tally sheets in order to properly verify the amount of cash collected. The cash receipts lacking supporting documentation were as follows:

- Receipt #207739 for softball candy sales in the amount of \$438.05 on 10/11/2013.
- Receipt #207049 for water polo concession sales in the amount of \$568.97 on 10/1/2013.
- Receipt #207087 for vending machine sales in the amount of \$212.56 on 10/1/2013.
- Receipt #205303 for pancake breakfast ticket sales in the amount of \$1,106 on 8/9/2013.
- Receipt #205229 for firework sales in the amount of \$70 on 8/26/2013.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

FINDING #2014-1: STUDENT BODY FUNDS (30000)

Cause: Insufficient controls over student body activities.

Effect: The potential for irregularities in accounting to go undetected or misappropriations of assets.

Perspective: Testing of internal controls over student body activities.

Recommendation: We recommend that the District enforce policies and procedures over ASB cash collections and disbursements in order to ensure that proper internal controls are being followed at the school sites. We also recommend that the District provide continuous training on proper internal control procedures over the cash receipt and disbursement process to ensure that ASB funds are being used and collected properly. We also recommend that the ASB follow the FCMAT ASB Accounting Manual in areas where deficiencies were found.

District Response: The District will implement the following corrective actions:

Santa Maria High School

- Receipts tested from Santa Maria High School that were lacking documentation involved fireworks fundraisers. These types of fundraisers are no longer allowable through ASB. All future events of this nature will be organized by the school's booster clubs.

Righetti High School

- Activity Directors will ensure club advisors have available all necessary forms to process transactions before submitting to the business office. District meetings are held regularly to ensure processes are followed and to discuss FCMAT recommendations. Monthly meeting attendees include: Assistant Principals overseeing student activities, Activity Directors, Athletic Directors, Bookkeepers, and Budget Manager. Bookkeeper will verify that all necessary signatures and forms are complete before processing transactions. In addition, bookkeeper will provide information to site staff regarding ASB rules and procedures.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

FINDING #2014-2: ASB BANK RECONCILIATIONS (30000)

Criteria: Procedures over the cash collection cycle should include timely and accurate reconciliation of the District's ASB bank accounts, in addition to review and approval of reconciliations due to a lack of segregation of duties within the ASB bookkeeping function.

Condition: During our testing of ASB bank reconciliations, it was noted that bank reconciliations are not reviewed and approved on a consistent basis. Specifically, for Righetti High School ASB clearing and grant distribution accounts reconciliations for the month ended June 30, 2014, it does not appear that reconciliations were properly reviewed and signed off by a supervising individual.

Cause: Improper reconciliation of the aforementioned bank accounts and lack of bank reconciliation oversight.

Effect: The potential for ASB cash balances to be inaccurately reconciled and reported.

Perspective: Testing of internal controls related to bank reconciliations.

Recommendation: Based on the lack of segregation of duties within the ASB bookkeeping function, it is recommended that reconciliations be reviewed in order to mitigate risk.

District Response: The District will implement the following corrective actions:

- Statements will be reconciled by bookkeeper within 5 days of receipt from bank for all accounts.
- Administrator will review and sign the bank reconciliation within 2 days of bookkeeper completion.
- Within 2 business days, reconciliation will be sent to district office for final review and confirmation of completion.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no audit findings and questioned costs related to federal awards during 2013-14.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

FIVE DIGIT CODE

10000
40000
41000
60000
61000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
CalSTRS
Miscellaneous
Classroom Teacher Salaries
Instructional Materials
Teacher Misassignments
School Accountability Report Card

There were no audit findings and questioned costs related to state awards during 2013-14.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

FINDING #2013-1: STUDENT BODY FUNDS (30000)

Criteria: Proper internal controls are necessary to ensure the safeguard over the Associated Student Body (ASB) assets. Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

Santa Maria High School

- Four (4) out of fifteen (15) cash receipts tested lacked adequate supporting documentation (i.e. tally sheet, control sheet, sales report) to substantiate sales and amount subsequently deposited. Receipts included fireworks sales (\$4,625.00), class of 2014 movie night (\$251.13), cash donations (\$233.00), and girls wrestling egg roll sales (\$409.06).
- Two (2) out of fifteen (15) cash disbursements tested were made to club advisors as advances for purchase for club supplies. Disbursements to club advisors were for \$400.00 and \$260.00.
- Through inquiry, auditor noted that \$600.00 in ASB funds went missing during the current school year. Funds were allotted to athletics advisors in a cash box during the winter break. It was confirmed that a police report has subsequently been filed.

Pioneer Valley High School

- One (1) out of fifteen (15) cash receipts tested lacked adequate supporting documentation (i.e. tally sheet, control sheet, sales report) to substantiate sales and amount subsequently deposited. Receipt was for FBLA Jamba Juice Sales (\$401.02).

Cause: Insufficient controls over student body activities.

Effect: The potential for irregularities in accounting to go undetected or misappropriations of assets.

Perspective: Testing of internal controls over student body activities.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS , continued
FOR THE YEAR ENDED JUNE 30, 2014**

FINDING #2013-1: STUDENT BODY FUNDS (30000) (continued)

Recommendation: We recommend that the District enforce policies and procedures over ASB cash collections and disbursements in order to ensure that proper internal controls are being followed at the school sites. We also recommend that the District provide continuous training on proper internal control procedures over the cash receipt and disbursement process to ensure that ASB funds are being used and collected properly. We also recommend that the ASB follow the FCMAT ASB Accounting Manual in areas where deficiencies were found.

District Response:

- Activity Directors will ensure club advisors have available all necessary forms to process transactions before submitting to the business office. Meetings will be held regularly to ensure processes are followed. Bookkeepers will verify all necessary signatures and forms are complete before processing transactions.
- Cash advances have been limited to exceptional cases only, at each of the three sites. A district form must be completed before a cash advance is considered. This form requires the requester to verify that all other payment options have been exhausted before a cash advance is approved. Final approval requires Principal acknowledgment of the cash advance.
- All cash boxes are the responsibility of the advisor or director who checked it out. The cash box is to remain in possession of the staff member who checked it out and will be stored in a safe for overnight keeping until delivered to the ASB Bookkeeper the following business day.

Current Status: Partially implemented, see finding #2014-1.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS , continued
FOR THE YEAR ENDED JUNE 30, 2014**

FINDING #2013-2: ASB BANK RECONCILIATIONS (30000)

Criteria: Procedures over the cash collection cycle should include timely and accurate reconciliation of the District's ASB bank accounts.

Condition: During our testing of ASB bank reconciliations, it was noted that several bank statements were not properly reconciled which include the student body bank accounts. In particular, auditor noted the following:

Santa Maria High School

- Reconciliation did not have a preparer or review sign off
- Total of stale dated checks: \$1,324.68 dating back to 9/29/2011

Righetti High School

- Total of stale dated checks: \$3,306.79, dating back to 6/29/2011
- Four (4) "negative" uncleared checks totaling \$1,005.60

Pioneer Valley High School

- Total of stale dated checks: \$206.00, dating back to 8/28/2012

Cause: Improper reconciliation of the aforementioned bank accounts and lack of bank reconciliation oversight.

Effect: The potential for the District cash balances to be inaccurately reported.

Perspective: Testing of internal controls related to bank reconciliations.

Recommendation: The District should work with the clerk responsible for reconciling the bank account to ensure accurate reconciliations are performed on a monthly basis. In addition, checks outstanding for greater than six months should be considered stale dated and removed from reconciliations.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS , continued
FOR THE YEAR ENDED JUNE 30, 2014

FINDING #2013-2: ASB BANK RECONCILIATIONS (30000) (continued)

District Response:

- Statements will be reconciled within 5 days of receipt from bank.
- Administrator will review and sign the bank reconciliation within 2 days of bookkeeper completion.
- Within 2 business days, reconciliation will be sent to district office for final review and confirmation of completion.
- Bookkeeper will run stale dated check report once in December and once July of each school year and cancel each check that is 6 months old.
- Record of stale dated checks will be kept on file if needed for future reference by the ASB Bookkeeper.

Current Status: Partially implemented, see finding #2014-2.