

# SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT

AUDIT REPORT  
JUNE 30, 2015

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, 2015**

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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 2014-15 school year, the District maintained three high schools and one continuation high school.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Mr. Victor Tognazzini	President	2016
Dr. Jack Garvin	Clerk	2016
Dr. Carol Karamitsos	Member	2018
Ms. Diana Perez	Member	2018
Mr. Dominick Palera	Member	2018

**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

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## INDEPENDENT AUDITORS' REPORT

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, 2015, 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.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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State Board of Accountancy*

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, 2015, 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.

### ***Emphasis of a Matter***

As described in Note 1 to the financial statements, in 2015 Santa Maria Joint Union High School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

### ***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, budgetary comparison information, schedule of funding progress for OPEB benefits, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions 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 8, 2015 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 8, 2015

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

## INTRODUCTION

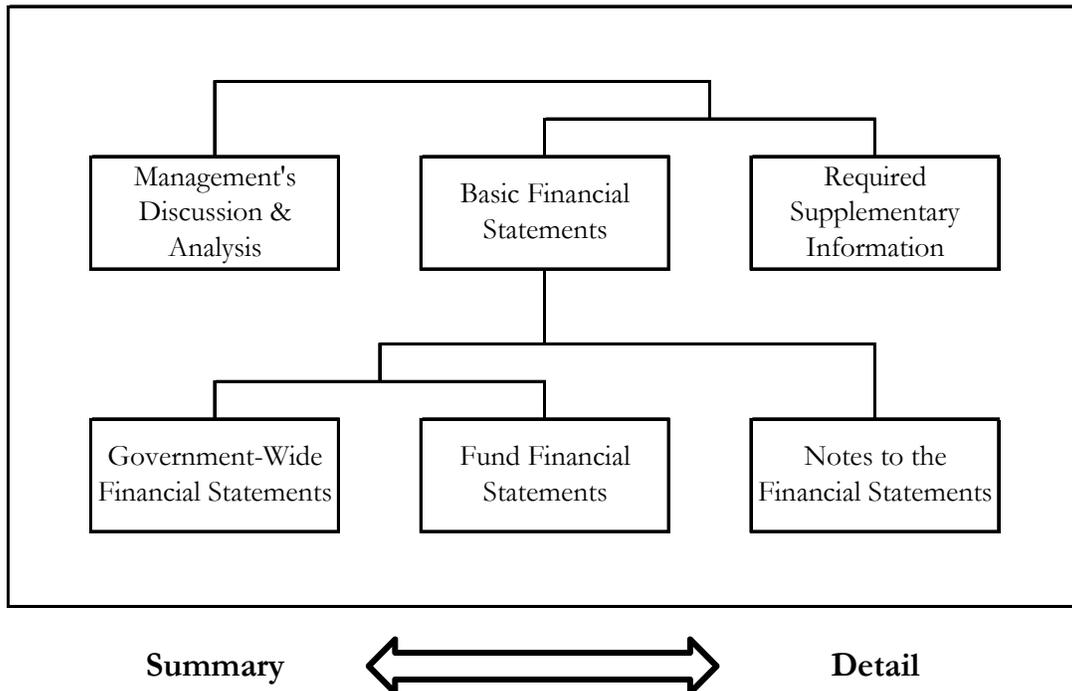
This discussion and analysis of Santa Maria Joint Union High School District (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- Total net position was \$20,715,555 at June 30, 2015. This was a decrease of \$61,722,966 from the prior year before restatement.
- Overall revenues were \$89,907,037 which was less than expenses of \$91,008,659.
- Total capital assets increased by \$5,965,025.
- Outstanding long-term debt increased by \$76,897,113, primarily due to a new bond issuance and recording of net pension liability.

## 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, 2015**

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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. LCFF 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, 2015**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The District's total net position was \$20,715,555 at June 30, 2015. Of this amount, (\$67,525,259) 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.

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 74,060,514	\$ 54,103,418	\$ 19,957,096
Capital assets	127,225,631	121,260,606	5,965,025
<b>Total Assets</b>	<b>201,286,145</b>	<b>175,364,024</b>	<b>25,922,121</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>7,155,549</b>	<b>2,875,375</b>	<b>4,280,174</b>
<b>LIABILITIES</b>			
Current liabilities	10,818,686	9,865,208	953,478
Long-term liabilities	162,832,783	85,935,670	76,897,113
<b>Total Liabilities</b>	<b>173,651,469</b>	<b>95,800,878</b>	<b>77,850,591</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>14,074,670</b>	<b>-</b>	<b>14,074,670</b>
<b>NET POSITION</b>			
Net investment in capital assets	68,943,393	65,974,674	2,968,719
Restricted	19,297,421	21,734,946	(2,437,525)
Unrestricted	(67,525,259)	(5,271,099)	(62,254,160)
<b>Total Net Position</b>	<b>\$ 20,715,555</b>	<b>\$ 82,438,521</b>	<b>\$ (61,722,966)</b>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**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 2015 due to GASB Statement No. 68, which requires the District to record their proportionate share of Net Pension Liability for multi-employer plans.

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.

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 1,226,350	\$ 1,375,087	\$ (148,737)
Operating grants and contributions	14,516,679	13,898,748	617,931
General revenues			
Property taxes	32,703,654	30,851,294	1,852,360
Unrestricted federal and state aid	38,454,701	31,144,620	7,310,081
Other	3,005,653	1,763,162	1,242,491
<b>Total Revenues</b>	<b>89,907,037</b>	<b>79,032,911</b>	<b>10,874,126</b>
<b>EXPENSES</b>			
Instruction	49,274,886	40,812,844	8,462,042
Instruction-related services	9,593,515	8,905,348	688,167
Pupil services	9,798,551	8,584,191	1,214,360
General administration	4,017,471	3,771,982	245,489
Plant services	8,971,857	8,575,839	396,018
Ancillary and community services	1,682,628	1,460,255	222,373
Debt service	3,318,388	3,151,896	166,492
Other Outgo	489,739	471,424	18,315
Depreciation	3,861,624	1,740,080	2,121,544
<b>Total Expenses</b>	<b>91,008,659</b>	<b>77,473,859</b>	<b>13,534,800</b>
<b>Change in net position</b>	<b>(1,101,622)</b>	<b>1,559,052</b>	<b>(2,660,674)</b>
<b>Net Position - Beginning, as Restated*</b>	<b>21,817,177</b>	<b>80,879,469</b>	<b>(59,062,292)</b>
<b>Net Position - Ending</b>	<b>\$ 20,715,555</b>	<b>\$ 82,438,521</b>	<b>\$ (61,722,966)</b>

\* Restatement to Beginning Net Position relates to both the 2015 year and the 2014 year

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**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, 2015 was \$75,265,630.

	<b>Net Cost of Services</b>	
	<b>2015</b>	<b>2014</b>
Instruction	\$ 40,921,936	\$ 34,621,277
Instruction-related services	7,923,088	5,578,667
Pupil services	5,388,458	4,235,815
General administration	3,458,706	3,256,339
Plant services	8,634,225	8,212,007
Ancillary and community services	1,598,349	1,409,442
Debt service	3,318,388	3,151,896
Transfers to other agencies	160,856	(5,499)
Depreciation	3,861,624	1,740,080
<b>Total Expenses</b>	<b>\$ 75,265,630</b>	<b>\$ 62,200,024</b>

**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 \$69,607,502, which is less than last year's ending fund balance of \$49,326,519. The District's General Fund had \$2,710,262 less in operating revenues than expenditures for the year ended June 30, 2015. The District's Building Fund had \$6,514,251 less in operating revenues than expenditures for the year ended June 30, 2015. The District's Special Reserve Fund for Capital Outlay Projects had \$938,860 less in operating revenues than expenditures for the year ended June 30, 2015. The District's Bond Interest and Redemption Fund had \$399,642 less in operating revenues than expenditures for the year ended June 30, 2015.

**CURRENT YEAR BUDGET 2014-15**

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, 2015

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2014-15, the District had invested \$127,225,631 in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 6,825,717	\$ 6,825,717	\$ -
Construction in progress	16,046,961	9,219,489	6,827,472
Land improvements	18,251,805	18,111,415	140,390
Buildings & improvements	112,655,809	112,014,535	641,274
Furniture & equipment	17,702,822	15,485,309	2,217,513
Accumulated depreciation	(44,257,483)	(40,395,859)	(3,861,624)
<b>Total Capital Assets</b>	<b>\$127,225,631</b>	<b>\$121,260,606</b>	<b>\$ 5,965,025</b>

**Long-Term Debt**

At year-end, the District had \$162,832,783 in long-term debt, an increase of 89.5% from last year. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$102,440,035	\$ 75,875,561	\$ 26,564,474
Total certificates of participation	3,716,867	4,006,104	(289,237)
Capital leases	-	60,190	(60,190)
Early retirement incentive	552,498	949,998	(397,500)
Compensated absences	393,992	407,656	(13,664)
Loans payable	43,444	89,590	(46,146)
Net OPEB obligation	10,566,951	9,541,058	1,025,893
Net pension liability	50,944,808	-	50,944,808
Less: current portion of long-term debt	(5,825,812)	(4,994,487)	(831,325)
<b>Total Long-term Liabilities</b>	<b>\$162,832,783</b>	<b>\$ 85,935,670</b>	<b>\$ 76,897,113</b>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

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 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 annual compliance and audit requirements.

The State's economy is expected to grow at a modest rate of about 2%-3% annually over the next two years with little chance of recession, according to the UCLA Anderson Economic Forecast for September 2015. 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*, is effective in the 2014-15 fiscal year. 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 pension plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2015. The amount of the liability is 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 2015-16 fiscal year.

**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, 2015

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 70,907,772
Accounts receivable	3,045,514
Inventory	101,659
Prepaid expenses	5,569
Capital assets, not depreciated	22,872,678
Capital assets, net of accumulated depreciation	104,352,953
<b>Total Assets</b>	<b>201,286,145</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	4,558,233
Deferred amount on refunding	2,597,316
<b>Total Deferred Outflows of Resources</b>	<b>7,155,549</b>
<b>LIABILITIES</b>	
Accrued liabilities	4,971,726
Unearned revenue	21,148
Long-term liabilities, current portion	5,825,812
Long-term liabilities, non-current portion	162,832,783
<b>Total Liabilities</b>	<b>173,651,469</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	14,074,670
<b>Total Deferred Inflows of Resources</b>	<b>14,074,670</b>
<b>NET POSITION</b>	
Net investment in capital assets	68,943,393
Restricted:	
Capital projects	5,687,289
Debt service	9,366,124
Educational programs	2,479,890
All others	1,764,118
Unrestricted	(67,525,259)
<b>Total Net Position</b>	<b>\$ 20,715,555</b>

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, 2015**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 49,274,886	\$ 1,815	\$ 8,351,135	\$ (40,921,936)
Instruction-related services				
Instructional supervision and administration	2,818,771	-	1,134,834	(1,683,937)
Instructional library, media, and technology	2,284,132	963	195,014	(2,088,155)
School site administration	4,490,612	-	339,616	(4,150,996)
Pupil services				
Home-to-school transportation	1,333,542	-	4,509	(1,329,033)
Food services	2,849,850	829,243	2,220,651	200,044
All other pupil services	5,615,159	-	1,355,690	(4,259,469)
General administration				
Centralized data processing	180,770	-	-	(180,770)
All other general administration	3,836,701	44,673	514,092	(3,277,936)
Plant services	8,971,857	175,977	161,655	(8,634,225)
Ancillary services	1,681,912	130	84,149	(1,597,633)
Community services	716	-	-	(716)
Interest on long-term debt	3,318,388	-	-	(3,318,388)
Other Outgo	489,739	173,549	155,334	(160,856)
Depreciation (unallocated)	3,861,624	-	-	(3,861,624)
<b>Total Governmental Activities</b>	<b>\$ 91,008,659</b>	<b>\$ 1,226,350</b>	<b>\$ 14,516,679</b>	<b>(75,265,630)</b>
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				26,957,569
Property taxes, levied for debt service				5,694,203
Property taxes, levied for other specific purposes				51,882
Federal and state aid not restricted for specific purposes				38,454,701
Interest and investment earnings				55,481
Interagency revenues				30,181
Miscellaneous				2,919,991
<b>Subtotal, General Revenue</b>				<b>74,164,008</b>
<b>CHANGE IN NET POSITION</b>				<b>(1,101,622)</b>
<b>Net Position - Beginning, as Restated</b>				<b>21,817,177</b>
<b>Net Position - Ending</b>				<b>\$ 20,715,555</b>

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2015**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Bond Interest &amp; Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 6,831,456	\$ 44,739,330	\$ 1,159,394	\$ 10,823,464	\$ 6,427,010	\$ 69,980,654
Accounts receivable	2,406,187	47,280	1,209	10,164	579,888	3,044,728
Due from other funds	97,042	-	25,941	-	151,888	274,871
Stores inventory	50,328	-	-	-	51,331	101,659
Prepaid expenditures	5,469	-	-	-	100	5,569
<b>Total Assets</b>	<b>\$ 9,390,482</b>	<b>\$ 44,786,610</b>	<b>\$ 1,186,544</b>	<b>\$ 10,833,628</b>	<b>\$ 7,210,217</b>	<b>\$ 73,407,481</b>
<b>LIABILITIES</b>						
Accrued liabilities	\$ 1,798,357	\$ 908,216	\$ 785,189	\$ -	\$ 13,386	\$ 3,505,148
Due to other funds	178,051	284	1,220	-	94,128	273,683
Unearned revenue	21,148	-	-	-	-	21,148
<b>Total Liabilities</b>	<b>1,997,556</b>	<b>908,500</b>	<b>786,409</b>	<b>-</b>	<b>107,514</b>	<b>3,799,979</b>
<b>FUND BALANCES</b>						
Nonspendable	70,797	-	-	-	51,431	122,228
Restricted	2,479,890	43,878,110	400,135	10,833,628	7,051,272	64,643,035
Assigned	2,130,753	-	-	-	-	2,130,753
Unassigned	2,711,486	-	-	-	-	2,711,486
<b>Total Fund Balances</b>	<b>7,392,926</b>	<b>43,878,110</b>	<b>400,135</b>	<b>10,833,628</b>	<b>7,102,703</b>	<b>69,607,502</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,390,482</b>	<b>\$ 44,786,610</b>	<b>\$ 1,186,544</b>	<b>\$ 10,833,628</b>	<b>\$ 7,210,217</b>	<b>\$ 73,407,481</b>

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, 2015**

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**Total Fund Balance - Governmental Funds** \$ 69,607,502

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	\$ 171,483,114	
Accumulated depreciation	<u>(44,257,483)</u>	127,225,631

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:

2,597,316

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:

(1,467,504)

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	\$ 102,440,035	
Total certificates of participation	3,716,867	
Early retirement incentive	552,498	
Compensated absences	393,992	
Loans payable	43,444	
Net OPEB obligation	10,566,951	
Net pension liability	<u>50,944,808</u>	(168,658,595)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 4,558,233	
Deferred inflows of resources related to pensions	<u>(14,074,670)</u>	(9,516,437)

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, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

927,642

**Total Net Position - Governmental Activities** \$ 20,715,555

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, 2015**

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
LCFF sources	\$ 63,453,394	\$ -	\$ -	\$ -	\$ -	\$ 63,453,394
Federal sources	4,123,685	-	-	-	2,140,265	6,263,950
Other state sources	9,684,742	-	-	57,784	194,003	9,936,529
Other local sources	1,417,566	238,671	147,700	5,668,555	2,448,531	9,921,023
<b>Total Revenues</b>	<b>78,679,387</b>	<b>238,671</b>	<b>147,700</b>	<b>5,726,339</b>	<b>4,782,799</b>	<b>89,574,896</b>
<b>EXPENDITURES</b>						
Current						
Instruction	48,978,567	-	-	-	-	48,978,567
Instruction-related services						
Instructional supervision and administration	2,695,222	-	-	-	-	2,695,222
Instructional library, media, and technology	2,564,524	-	-	-	-	2,564,524
School site administration	4,436,070	-	-	-	-	4,436,070
Pupil services						
Home-to-school transportation	1,698,493	-	-	-	-	1,698,493
Food services	150,000	-	-	-	2,837,335	2,987,335
All other pupil services	5,430,774	-	-	-	-	5,430,774
General administration						
Centralized data processing	178,464	-	-	-	-	178,464
All other general administration	3,703,688	-	-	-	166,201	3,869,889
Plant services	8,656,731	45,115	113,929	-	361,992	9,177,767
Facilities acquisition and maintenance	619,258	6,418,068	972,631	-	611,234	8,621,191
Ancillary services	1,672,894	-	-	-	-	1,672,894
Community services	716	-	-	-	-	716
Transfers to other agencies	200,000	-	-	-	-	200,000
Debt service						
Principal	310,204	-	-	3,475,000	85,369	3,870,573
Interest and other	94,044	289,739	-	2,650,981	37,749	3,072,513
<b>Total Expenditures</b>	<b>81,389,649</b>	<b>6,752,922</b>	<b>1,086,560</b>	<b>6,125,981</b>	<b>4,099,880</b>	<b>99,454,992</b>
<b>Excess (Deficiency) of Revenues</b>						
<b>Over Expenditures</b>	<b>(2,710,262)</b>	<b>(6,514,251)</b>	<b>(938,860)</b>	<b>(399,642)</b>	<b>682,919</b>	<b>(9,880,096)</b>
<b>Other Financing Sources (Uses)</b>						
Other sources	-	28,996,159	-	1,164,920	-	30,161,079
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>28,996,159</b>	<b>-</b>	<b>1,164,920</b>	<b>-</b>	<b>30,161,079</b>
<b>NET CHANGE IN FUND BALANCE</b>						
<b>Fund Balance - Beginning</b>	<b>10,103,188</b>	<b>21,396,202</b>	<b>1,338,995</b>	<b>10,068,350</b>	<b>6,419,784</b>	<b>49,326,519</b>
<b>Fund Balance - Ending</b>	<b>\$ 7,392,926</b>	<b>\$ 43,878,110</b>	<b>\$ 400,135</b>	<b>\$ 10,833,628</b>	<b>\$ 7,102,703</b>	<b>\$ 69,607,502</b>

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, 2015**

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Net Change in Fund Balances - Governmental Funds \$ 20,280,983

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:	\$ 9,826,649	
Depreciation expense:	<u>(3,861,624)</u>	5,965,025

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:

3,870,573

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:

(30,161,079)

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)

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:

(379,160)

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.

(736,833)

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, 2015**

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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:

13,664

Other expenditures relating to prior periods:

Certain expenditures recognized in governmental funds relate to prior periods. Typical examples are payments on structured legal settlements or retirement incentives paid over time. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations were first incurred, so they must not be recognized again in the current period. Expenditures relating to prior periods (describe below) were:

397,500

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:

(1,025,893)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:

160,099

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:

858,438

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:

(66,880)

**Change in Net Position of Governmental Activities**

**\$ (1,101,622)**

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, 2015

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 927,118
Accounts receivable	786
Due from other funds	222
Total current assets	<u>928,126</u>
<b>Total Assets</b>	<u>928,126</u>
<b>LIABILITIES</b>	
Current liabilities	
Accrued liabilities	(926)
Due to other funds	1,410
Total current liabilities	<u>484</u>
<b>Total Liabilities</b>	<u>484</u>
<b>NET POSITION</b>	
Unrestricted	927,642
<b>Total Net Position</b>	<u>\$ 927,642</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, 2015

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>OPERATING REVENUE</b>	
Charges for services	\$ 742,309
Other local revenues	24,657
<b>Total operating revenues</b>	<u>766,966</u>
<b>OPERATING EXPENSE</b>	
Professional services	836,765
<b>Total operating expenses</b>	<u>836,765</u>
<b>Operating income/(loss)</b>	<u>(69,799)</u>
<b>NON-OPERATING REVENUES/(EXPENSES)</b>	
Interest income	2,919
<b>Total non-operating revenues/(expenses)</b>	<u>2,919</u>
<b>CHANGE IN NET POSITION</b>	(66,880)
<b>Net Position - Beginning</b>	994,522
<b>Net Position - Ending</b>	<u>\$ 927,642</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, 2015**

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	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
<b>Cash flows from operating activities</b>	
Cash received from user charges	\$ 766,813
Cash payments for payroll, insurance, and operating costs	(840,228)
Net cash provided by (used for) operating activities	<u>(73,415)</u>
<b>Cash flows from investing activities</b>	
Interest received	2,919
Net cash provided by (used for) investing activities	<u>2,919</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(70,496)</u>
 <b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	997,614
End of year	<u>\$ 927,118</u>
 <b>Reconciliation of operating income (loss) to cash provided by (used for) operating activities</b>	
Operating income (loss)	\$ (69,799)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	69
(Increase) decrease in due from other funds	(222)
Increase (decrease) in accounts payable	(4,873)
Increase (decrease) in due to other funds	1,410
<b>Net cash provided by (used for) operating activities</b>	<u>\$ (73,415)</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, 2015

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	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 971,869
<b>Total Assets</b>	<b>\$ 971,869</b>
<b>LIABILITIES</b>	
Due to student groups	\$ 971,869
<b>Total Liabilities</b>	<b>\$ 971,869</b>

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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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, 2015

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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*).

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). 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, 2015

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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*).

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.

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, 2015

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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.

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.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2015

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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, 2015

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

J. New Accounting Pronouncements

**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 implemented GASB Statement No. 68 for the year ended June 30, 2015.

**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 implemented GASB Statement No. 71 for the year ended June 30, 2015.

**GASB Statement No. 72** – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 73** – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. 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, 2015

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NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental	Internal Service	Total Governmental	Fiduciary
	Funds	Funds	Activities	Funds
Cash in county	\$ 69,918,691	\$ 801,753	\$ 70,720,444	\$ -
Fair value adjustment to cash in county	9,501	(3,501)	6,000	-
Cash on hand and in banks	2,593	128,866	131,459	971,869
Cash with fiscal agent	34,869	-	34,869	-
Cash in revolving fund	15,000	-	15,000	-
<b>Total cash and cash equivalents</b>	<b>\$ 69,980,654</b>	<b>\$ 927,118</b>	<b>\$ 70,907,772</b>	<b>\$ 971,869</b>

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, 2015

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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 \$70,726,444 and an amortized book value of \$70,720,444. The average weighted maturity for this pool is 488 days.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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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, 2015, 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, 2015, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consisted of the following:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal Government							
Categorical aid	\$ 933,965	\$ -	\$ -	\$ -	\$ 526,690	\$ -	\$ 1,460,655
State Government							
Apportionment	238,959	-	-	-	-	-	238,959
Categorical aid	27,206	-	-	-	46,439	-	73,645
Lottery	668,631	-	-	-	-	-	668,631
Local Government							
Other local sources	537,426	47,280	1,209	10,164	6,759	786	603,624
<b>Total</b>	<b>\$ 2,406,187</b>	<b>\$ 47,280</b>	<b>\$ 1,209</b>	<b>\$ 10,164</b>	<b>\$ 579,888</b>	<b>\$ 786</b>	<b>\$ 3,045,514</b>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

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**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>July 01, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2015</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 6,825,717	\$ -	\$ -	\$ 6,825,717
Construction in progress	9,219,489	8,818,044	1,990,572	16,046,961
Total Capital Assets not Being Depreciated	16,045,206	8,818,044	1,990,572	22,872,678
Capital assets being depreciated				
Land improvements	18,111,415	140,390	-	18,251,805
Buildings & improvements	112,014,535	641,274	-	112,655,809
Furniture & equipment	15,485,309	2,217,513	-	17,702,822
Total Capital Assets Being Depreciated	145,611,259	2,999,177	-	148,610,436
Less Accumulated Depreciation				
Land improvements	4,331,977	879,766	-	5,211,743
Buildings & improvements	23,988,307	2,201,672	-	26,189,979
Furniture & equipment	12,075,575	780,186	-	12,855,761
Total Accumulated Depreciation	40,395,859	3,861,624	-	44,257,483
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 121,260,606</b>	<b>\$ 7,955,597</b>	<b>\$ 1,990,572</b>	<b>\$ 127,225,631</b>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

**NOTE 5 – INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due From/Due To)**

Individual interfund receivable and payable balances at June 30, 2015 were as follows:

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>				<u>Total</u>
	<u>General Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Internal Service Fund</u>	
General Fund	\$ -	\$ 25,941	\$ 151,888	\$ 222	\$ 178,051
Building Fund	284	-	-	-	284
Special Reserve Fund for Capital Outlay Projects	1,220	-	-	-	1,220
Non-Major Governmental Funds	94,128	-	-	-	94,128
Internal Service Fund	1,410	-	-	-	1,410
<b>Total Due From Other Funds</b>	<b>\$ 97,042</b>	<b>\$ 25,941</b>	<b>\$ 151,888</b>	<b>\$ 222</b>	<b>\$ 275,093</b>

Due from the General Fund to the Cafeteria Fund for amount expended for food truck	\$ 151,888
Due from the General Fund to the Special Reserve Fund for Capital Outlay Projects for facility related RDA offset taxes	25,941
Due from the General Fund to the Internal Service Fund for Cobra payments	222
Due from the Cafeteria Fund to the General Fund for indirect costs and OPEB	93,833
Due from the Internal Service Fund to the General Fund to correct journal entry	1,410
Due from the Special Reserve Fund for Capital Outlay Projects to the General Fund for invoices paid by the General Fund	1,220
Due from the Capital Facilities Fund to the General Fund for invoices paid by the General Fund	295
Due from the Building Fund to the General Fund for invoices paid by the General Fund	284
<b>Total</b>	<b>\$ 275,093</b>

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2015 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Special Reserve</u>	<u>Non-Major</u>	<u>Internal Service</u>	<u>District-Wide</u>	<u>Total</u>
			<u>Fund for Capital Outlay Projects</u>	<u>Governmental Funds</u>	<u>Funds</u>		<u>Governmental Activities</u>
Payroll	\$ 27,015	\$ -	\$ -	\$ 9,986	\$ -	\$ -	\$ 37,001
Construction	-	908,216	785,189	305	-	-	1,693,710
Vendors payable	689,304	-	-	3,095	-	-	692,399
Unmatured interest	-	-	-	-	-	1,467,504	1,467,504
Other liabilities	1,082,038	-	-	-	(926)	-	1,081,112
<b>Total</b>	<b>\$ 1,798,357</b>	<b>\$ 908,216</b>	<b>\$ 785,189</b>	<b>\$ 13,386</b>	<b>\$ (926)</b>	<b>\$ 1,467,504</b>	<b>\$ 4,971,726</b>

**NOTE 7 – UNEARNED REVENUE**

Unearned revenue in the General Fund at June 30, 2015 consisted of \$21,148, with \$16,092 attributed to federal sources and \$5,056 attributed to State sources.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2015 consisted of the following:

	Restated Balance			Balance June 30, 2015	Balance Due In One Year
	July 01, 2014	Additions	Deductions		
<b>Governmental Activities</b>					
General obligation bonds	\$ 65,588,094	\$ 28,996,159	\$ 3,475,000	\$ 91,109,253	\$ 4,025,000
Unamortized premium	7,027,746	1,164,920	858,438	7,334,228	555,053
Accreted interest	3,259,721	736,833	-	3,996,554	-
Total general obligation bonds	75,875,561	30,897,912	4,333,438	102,440,035	4,580,053
Certificates of participation	4,006,104	-	289,237	3,716,867	313,836
Capital leases	60,190	-	60,190	-	-
Early retirement incentive	949,998	-	397,500	552,498	397,500
Compensated absences	407,656	482,364	496,028	393,992	-
Loans payable	89,590	-	46,146	43,444	28,962
Net OPEB obligation	9,541,058	1,604,554	578,661	10,566,951	505,461
Net pension liability	64,441,302	-	13,496,494	50,944,808	-
<b>Total</b>	<b>\$ 155,371,459</b>	<b>\$ 32,984,830</b>	<b>\$ 19,697,694</b>	<b>\$ 168,658,595</b>	<b>\$ 5,825,812</b>

Payments for bonds associated with general obligation bonds are made in the Bond Interest and Redemption Fund.

Payments on certificates of participation are made in the General Fund.

Payments for capital lease obligations are made in the General Fund Capital Facilities Fund

Payments for early retirement incentive are made in the General Fund.

Payments for accumulated vacation are typically liquidated in the General Fund and the Non-Major Governmental Funds.

Payments for loans payable are made in the General Fund.

**A. Compensated Absences**

Total unpaid employee compensated absences as of amounted to \$393,992. This amount is included as part of long-term liabilities in the government-wide financial statements.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

NOTE 8 – LONG-TERM DEBT (continued)

**B. Certificates of Participation**

The annual requirements to amortize the certificates of participation outstanding at June 30, 2015 are as follows:

Year Ended June 30,	Principal	Interest	Total
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	413,601	71,504	485,105
2021 - 2024	1,889,084	139,333	2,028,417
Total	\$ 3,716,867	\$ 618,073	\$ 4,334,940

**C. General Obligation Bonds**

The outstanding general obligation bonded debt of the District as of June 30, 2015 is as follows:

Series	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2015
				Outstanding July 01, 2014	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	5,208,221	-	680,000	4,528,221
2006 Refunding	2021	4.0%-5.000%	25,452,727	16,310,000	-	1,935,000	14,375,000
Election 2004, Series 2013	2038	2.0%-5.350%	14,999,873	14,999,873	-	840,000	14,159,873
2013 Refunding	2027	4.0%-5.000%	26,820,000	26,545,000	-	20,000	26,525,000
Election 2004, Series 2014	2038	3.0%-5.000%	28,996,159	-	28,996,159	-	28,996,159
				\$ 65,588,094	\$ 28,996,159	\$ 3,475,000	\$ 91,109,253

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 8 – LONG-TERM DEBT (continued)

C. General Obligation Bonds (continued)

The annual requirements to amortize the Election 2000, Series B general obligation bonds outstanding at June 30, 2015, are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 325,000	\$ 136,750	\$ 461,750
2017	-	123,750	123,750
2018	-	123,750	123,750
2019	-	123,750	123,750
2020	-	123,750	123,750
2021 - 2025	2,200,000	503,438	2,703,438
Total	\$ 2,525,000	\$ 1,135,188	\$ 3,660,188

The annual requirements to amortize the Election 2004, Series 2005 general obligation bonds outstanding at June 30, 2015, are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 850,000	\$ 34,000	\$ 884,000
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021 - 2025	-	-	-
2026 - 2030	3,196,453	10,968,547	14,165,000
2031	481,768	1,893,232	2,375,000
Total	\$ 4,528,221	\$ 12,895,779	\$ 17,424,000

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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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, 2015, are as follows:

Year Ended June 30,	Principal	Interest	Total
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	3,245,000	205,875	3,450,875
2021	2,495,000	62,375	2,557,375
Total	\$ 14,375,000	\$ 2,331,625	\$ 16,706,625

The annual requirements to amortize the Election 2004, Series 2013 general obligation bonds outstanding at June 30, 2015 are as follows:

Year Ended June 30,	Principal	Interest	Total
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	-	421,250	421,250
2021 - 2025	-	2,106,250	2,106,250
2026 - 2030	-	2,106,250	2,106,250
2031 - 2035	9,542,184	3,496,641	13,038,825
2036 - 2038	3,197,689	7,612,134	10,809,823
Total	\$ 14,159,873	\$ 17,509,725	\$ 31,669,598

The annual requirements to amortize the 2013 Refunding general obligation bonds outstanding at June 30, 2015 are as follows:

Year Ended June 30,	Principal	Interest	Total
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	1,525,000	928,725	2,453,725
2021 - 2025	11,570,000	3,548,100	15,118,100
2026 - 2027	7,190,000	549,750	7,739,750
Total	\$ 26,525,000	\$ 9,327,775	\$ 35,852,775

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 8 – LONG-TERM DEBT (continued)

C. General Obligation Bonds (continued)

The annual requirements to amortize the Election 2004, Series 2014 general obligation bonds outstanding at June 30, 2015, are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	\$ -	\$ 1,059,750	\$ 1,059,750
2017	-	1,059,750	1,059,750
2018	-	1,059,750	1,059,750
2019	360,000	1,050,750	1,410,750
2020	355,000	1,032,875	1,387,875
2021 - 2025	1,945,000	4,865,625	6,810,625
2026 - 2030	740,000	4,501,650	5,241,650
2031 - 2035	12,936,159	6,755,810	19,691,969
2036 - 2038	12,660,000	787,000	13,447,000
Total	\$ 28,996,159	\$ 22,172,960	\$ 51,169,119

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 District made the final principal payment of \$60,190 on the lease during the year ended June 30, 2015.

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, 2015 was \$43,444.

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 loan was paid off as of June 30, 2015.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 8 – LONG-TERM DEBT (continued)

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, 2015, are as follows:

<u>Year Ended June 30,</u>	<u>Payment</u>
2016	\$ 397,500
2017	122,498
2018	22,500
2019	10,000
Total	<u>\$ 552,498</u>

G. Net Pension Liability

The District follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The District’s restated beginning net pension liability was \$64,441,302, and decreased by \$13,496,494 during the year ended June 30, 2015. The ending net pension liability at June 30, 2015 was \$50,944,808. See Note 11 for additional information regarding the net pension liability.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015**

**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2015:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Non-spendable</b>						
Revolving cash	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 15,000
Stores inventory	50,328	-	-	-	51,331	101,659
Prepaid expenditures	5,469	-	-	-	100	5,569
Total non-spendable	70,797	-	-	-	51,431	122,228
<b>Restricted</b>						
Educational programs	2,479,890	-	-	-	-	2,479,890
Capital projects	-	43,878,110	400,135	-	5,287,154	49,565,399
Debt service	-	-	-	10,833,628	-	10,833,628
All others	-	-	-	-	1,764,118	1,764,118
Total restricted	2,479,890	43,878,110	400,135	10,833,628	7,051,272	64,643,035
<b>Assigned</b>						
Site/department carryover	249,073	-	-	-	-	249,073
MAA carryover	166,874	-	-	-	-	166,874
Tier III categorical program carryover	49,615	-	-	-	-	49,615
Miscellaneous unrestricted grants carryover	16,166	-	-	-	-	16,166
Deferred maintenance	451,599	-	-	-	-	451,599
Special reserve fund for other than capital outlay projects	1,197,426	-	-	-	-	1,197,426
Total assigned	2,130,753	-	-	-	-	2,130,753
<b>Unassigned</b>						
Reserve for economic uncertainties	2,398,648	-	-	-	-	2,398,648
Remaining unassigned	312,838	-	-	-	-	312,838
Total unassigned	2,711,486	-	-	-	-	2,711,486
<b>Total</b>	<b>\$ 7,392,926</b>	<b>\$ 43,878,110</b>	<b>\$ 400,135</b>	<b>\$ 10,833,628</b>	<b>\$ 7,102,703</b>	<b>\$ 69,607,502</b>

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, 2015

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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	63
Active plan members	689
Total*	<u>752</u>
 Number of participating employers	 1

\*As of July 1, 2014 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, 2015

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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, 2015, 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	\$	2,075,924
Interest on net OPEB obligation		381,642
Adjustment to annual required contribution		(551,760)
Annual OPEB cost (expense)		<u>1,905,806</u>
Contributions made		<u>(879,913)</u>
Increase (decrease) in net OPEB obligation		1,025,893
Net OPEB obligation, beginning of the year		9,541,058
Net OPEB obligation, end of the year	\$	<u>10,566,951</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, 2015 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	\$ 1,905,806	46%	\$ 10,566,951
2014	\$ 1,503,141	44%	\$ 9,541,058
2013	\$ 1,814,300	31%	\$ 8,699,797

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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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, 2014	\$ -	\$ 15,802,440	\$ 15,802,440	0%	\$ 45,573,778	35%

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	7/1/2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30-year level dollar, open period
Remaining Amortization Period	29
Actuarial Assumptions:	
Investment rate of return	4.0%
Discount rate	4.0%
Medical/Rx trend rate	5.0-8.0%
Dental/vision trend rate	4.0%

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2015

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**NOTE 11 – PENSION PLANS**

Qualified employees are covered under multiple-employer contributory 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). The District recognized \$4,398,134 for their proportionate share of pension expense for the year ended June 30, 2015.

**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.

**Benefits provided**

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

***CalSTRS 2% at 60***

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

***CalSTRS 2% at 62***

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2015

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NOTE 11 – PENSION PLANS (*continued*)

**California State Teachers’ Retirement System (CalSTRS) (*continued*)**

*CalSTRS 2% at 62 (*continued*)*

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**Contributions**

Active plan members are required to contribute 8.15% of their salary for fiscal year 2015 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 2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$2,966,081 for the year ended June 30, 2015.

**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 \$1,581,791 to CalSTRS (5.679% of 2012-13 creditable compensation subject to CalSTRS).

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 36,716,060
States's proportionate share of the net pension liability associated with the District	<u>22,170,742</u>
Total	<u>\$ 58,886,802</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District’s proportion was 0.063 percent, which did not change from its proportion measured as of June 30, 2013.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2015, the District recognized pension expense of \$3,169,552. In addition, the District recognized pension expense and revenue of \$1,913,932 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 9,041,260
District contributions subsequent to the measurement date	2,966,081	-
	<u>\$ 2,966,081</u>	<u>\$ 9,041,260</u>

\$2,966,081 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 2,260,315
2017	2,260,315
2018	2,260,315
2019	2,260,315
	<u>\$ 9,041,260</u>

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	3.75%
Interest on Member Accounts	4.50%

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

**Actuarial assumptions (continued)**

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%
	100%	

\* 10-year geometric average

**Discount rate**

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	<b>1% Decrease (6.60%)</b>	<b>Current Discount Rate (7.60%)</b>	<b>1% Increase (8.60%)</b>
District's proportionate share of the net pension liability	\$ 57,230,735	\$ 36,716,060	\$ 19,610,549

**Pension plan fiduciary net position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

**NOTE 11 – PENSION PLANS (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.

**Benefits provided**

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**Contributions**

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 2015 was 11.771% of annual payroll. Contributions to the plan from the District were \$1,592,152 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$14,228,748 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.125 percent, which decreased by 0.002 percent from its proportion measured as of June 30, 2013.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2015, the District recognized pension expense of \$1,228,582. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 4,889,157
Changes in proportion and differences between District contributions and proportionate share of contributions	-	144,253
District contributions subsequent to the measurement date	1,592,152	-
	<u>\$ 1,592,152</u>	<u>\$ 5,033,410</u>

\$1,592,152 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 1,258,353
2017	1,258,353
2018	1,258,353
2019	1,258,351
	<u>\$ 5,033,410</u>

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	Varies by Entry Age and Service

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

**Actuarial assumptions (continued)**

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

\* An expected inflation of 2.5% used for this period

\*\* An expected inflation of 3.0% used for this period

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2015

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NOTE 11 – PENSION PLANS (continued)

**California Public Employees’ Retirement System (CalPERS) (continued)**

**Discount rate**

The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
District's proportionate share of the net pension liability	\$ 24,960,472	\$ 14,228,748	\$ 5,261,311

**Pension plan fiduciary net position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2015

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**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, 2015.

**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, 2015.

**C. Construction Commitments**

As of June 30, 2015, the District had commitments with respect to unfinished capital projects of \$2,798,623.

**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, 2015**

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**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/INFLOWS OF RESOURCES**

**Refunded Debt**

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, 2015, the deferred amount on refunding was \$2,597,316.

**Pension Plans**

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*, the District recognized deferred outflows and inflows of resources related to pensions in the District-wide financial statements. The District’s deferred outflows and inflows of resources related to pensions were as follows at June 30, 2015:

	<b>Deferred outflows related to pensions</b>	<b>Deferred inflows related to pensions</b>
STRS Pension	\$ 2,966,081	\$ 9,041,260
PERS Pension	1,592,152	5,033,410
<b>Total</b>	<b>\$ 4,558,233</b>	<b>\$ 14,074,670</b>

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2015

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**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:

	<b>Governmental Activities</b>
Net Position - Beginning, as Previously Reported	\$ 82,438,521
Restatement	<u>(60,621,344)</u>
Net Position - Beginning, as Restated	<u>\$ 21,817,177</u>

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 62,469,158	\$ 63,498,804	\$ 63,453,394	\$ (45,410)
Federal sources	3,676,130	4,025,875	4,123,685	97,810
Other state sources	7,112,458	9,973,451	9,684,742	(288,709)
Other local sources	622,548	1,193,530	1,409,923	216,393
<b>Total Revenues</b>	<b>73,880,294</b>	<b>78,691,660</b>	<b>78,671,744</b>	<b>(19,916)</b>
<b>EXPENDITURES</b>				
Certificated salaries	34,953,444	35,066,633	35,066,581	52
Classified salaries	12,386,504	12,425,486	12,424,002	1,484
Employee benefits	14,454,082	15,783,535	15,593,852	189,683
Books and supplies	5,340,633	6,994,273	6,993,442	831
Services and other operating expenditures	8,866,572	8,965,598	8,964,976	622
Capital outlay	205,395	1,684,453	1,664,468	19,985
Other outgo				
Excluding transfers of indirect costs	393,906	604,248	604,248	-
Transfers of indirect costs	(157,103)	(152,855)	(152,855)	-
<b>Total Expenditures</b>	<b>76,443,433</b>	<b>81,371,371</b>	<b>81,158,714</b>	<b>212,657</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(2,563,139)</b>	<b>(2,679,711)</b>	<b>(2,486,970)</b>	<b>192,741</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(375,000)	(375,000)	(375,000)	-
<b>Net Financing Sources (Uses)</b>	<b>(375,000)</b>	<b>(375,000)</b>	<b>(375,000)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,938,139)</b>	<b>(3,054,711)</b>	<b>(2,861,970)</b>	<b>192,741</b>
<b>Fund Balance - Beginning</b>	<b>8,605,870</b>	<b>8,605,870</b>	<b>8,605,870</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 5,667,731</b>	<b>\$ 5,551,159</b>	<b>\$ 5,743,900</b>	<b>\$ 192,741</b>

\* 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 and Special Reserve Fund for Other than Capital Outlay Projects 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, 2015**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2014	\$ -	\$ 15,802,440	\$ 15,802,440	0%	\$ 45,573,778	35%
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%

See accompanying note to required supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.063%
District's proportionate share of the net pension liability	\$ 36,716,060
States's proportionate share of the net pension liability associated with the District	22,170,742
Total	<u>\$ 58,886,802</u>
District's covered-employee payroll	\$ 33,410,822
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	109.9%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%

See accompanying note to required supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
CALPERS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.125%
District's proportionate share of the net pension liability	\$ 14,228,748
District's covered-employee payroll	\$ 13,260,708
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	107.3%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%

See accompanying note to required supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,966,081
Contributions in relation to the contractually required contribution*	(2,966,081)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 33,410,822
Contributions as a percentage of covered-employee payroll	8.88%

\*Amounts do not include on behalf contributions

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS  
 FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,592,152
Contributions in relation to the contractually required contribution	(1,592,152)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 13,260,708
Contributions as a percentage of covered-employee payroll	12.01%

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, 2015**

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**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.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**Schedule of District Contributions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll.

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2015, the District incurred no excesses of expenditures over appropriations in the General Fund.

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**SUPPLEMENTARY  
INFORMATION**

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**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
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	\$ 1,753,169
Title I, Migrant Education	84.011	14838	421,424
Title II, Part A, Teacher Quality	84.367A	14341	226,873
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	170,280
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,177,587
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	244,472
Regional Safety Grant	84.330	10044	34,096
<b>Total U. S. Department of Education</b>			<u>4,027,901</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	23668	566,736
National School Lunch Program	10.555	13391	1,573,529
Subtotal Child Nutrition Cluster			<u>2,140,265</u>
Forest Reserve Funds	10.665	10044	310
<b>Total U. S. Department of Agriculture</b>			<u>2,140,575</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	97,387
<b>Total U. S. Department of Health &amp; Human Services</b>			<u>97,387</u>
<b>Total Federal Expenditures</b>			<u>\$ 6,265,863</u>

See accompanying note to supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
 FOR THE YEAR ENDED JUNE 30, 2015**

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	<b>Second Period Report</b>	<b>Revised Second Period Report*</b>	<b>Annual Report</b>
SCHOOL DISTRICT			
Ninth through Twelfth			
Regular ADA	7,333.90	7,315.57	7,244.01
Extended Year Special Education	7.91	7.91	7.91
Special Education - Nonpublic Schools	1.64	1.64	1.74
Total Ninth through Twelfth	7,343.45	7,325.12	7,253.66
TOTAL SCHOOL DISTRICT	7,343.45	7,325.12	7,253.66

\* Second period revisions are due to adjustments made by the District not related to any audit findings.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2015**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>Minutes Requirement Reduced</b>	<b>2014-15 Actual Minutes</b>	<b>Number of Days</b>	<b>Status</b>
Grade 9	64,800	63,000	66,280	180	Complied
Grade 10	64,800	63,000	66,280	180	Complied
Grade 11	64,800	63,000	66,280	180	Complied
Grade 12	64,800	63,000	66,280	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, 2015**

	2016 (Budget)	2015	2014	2013
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 88,813,998	\$ 78,671,744	\$ 68,973,699	\$ 66,153,404
Expenditures And Other Financing Uses	89,497,782	81,533,714	70,155,158	67,239,554
Net change in Fund Balance	\$ (683,784)	\$ (2,861,970)	\$ (1,181,459)	\$ (1,086,150)
Ending Fund Balance	\$ 5,060,116	\$ 5,743,900	\$ 8,605,870	\$ 9,787,329
Available Reserves*	\$ 3,915,151	\$ 2,711,486	\$ 4,112,225	\$ 5,035,257
Available Reserves As A Percentage Of Outgo	4.37%	3.33%	5.86%	7.49%
Long-term Debt	\$ 162,832,783	\$ 168,658,595	\$ 90,930,157	\$ 88,624,806
Average Daily Attendance At P-2	7,500	7,325	7,259	7,192

The General Fund balance has decreased by \$4,043,429 over the past two years. The fiscal year 2015-16 budget projects a further decrease of \$683,784. 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 2015-16 fiscal year. Total long term obligations have increased by \$80,033,789 over the past two years.

Average daily attendance has increased by 133 ADA over the past two years. An increase of 175 ADA is anticipated during the 2015-16 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 Fund for Other Than Capital Outlay Projects, 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, 2015**

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	<b>General Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Special Reserve Fund for Other Than Capital Outlay Projects</b>
June 30, 2015, annual financial and budget report fund balance	\$ 5,743,900	\$ 451,599	\$ 1,197,427
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Fund balance transfer (GASB 54)	1,649,026	(451,599)	(1,197,427)
Net adjustments and reclassifications	1,649,026	(451,599)	(1,197,427)
June 30, 2015, audited financial statement fund balance	\$ 7,392,926	\$ -	\$ -

See accompanying note to supplementary information.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2015

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*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, 2015

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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, 2015 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2015.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 6,263,950
Medi-Cal Billing Option	93.778	<u>1,913</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 6,265,863</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, 2015, the District participated in the Longer Day incentive funding program. As of June 30, 2015, 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, 2015**

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**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)

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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**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

Heather Rubio

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, 2015, 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 8, 2015.

**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.

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State Board of Accountancy*

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*.

### **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.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California  
December 8, 2015

**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

Heather Rubio

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, 2015. 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.

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### *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, 2015.

### **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.

*Christy White Associates*

San Diego, California  
December 8, 2015

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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, 2015, 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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.

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### *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, 2015.

### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying schedule of findings and questioned costs as item #2015-1. Our opinion on state compliance is not modified with respect to this matter.

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

### *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:

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	Yes
Continuation Education	Yes
Instructional Time for school districts	Yes
Instructional Materials, general requirements	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Yes
Regional Occupation Centers or Programs Maintenance of Effort	Not Applicable
Adult Education Maintenance of Effort	Not Applicable
California Clean Energy Jobs Act	No

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	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, 2015.

*Christy White Associates*

San Diego, California  
December 8, 2015

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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**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>None Reported</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>10.553, 10.555</u>	<u>Child Nutrition Cluster</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>Yes</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, 2015

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FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

*There were no financial statement findings for the year ended June 30, 2015.*

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

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FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

*There were no audit findings and questioned costs related to federal awards during the year ended June 30, 2015.*

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FIVE DIGIT CODE**

10000  
40000  
42000  
60000  
61000  
62000  
70000  
71000  
72000

**AB 3627 FINDING TYPE**

Attendance  
State Compliance  
Charter School Facilities Programs  
Miscellaneous  
Classroom Teacher Salaries  
Local Control Accountability Plan  
Instructional Materials  
Teacher Misassignments  
School Accountability Report Card

**FINDING #2015-1 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)**

**Criteria:** Students classified as free or reduced price meal eligible (FRPM) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**Condition:** 3 of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as FRPM did not have proper supporting documentation to support their designation. All of the exceptions were at Righetti High School. Upon further testing of 100% of the FRPM eligible population at Righetti High School, we identified an additional 11 students without proper supporting documentation for a total of 14 ineligible students.

**Cause:** Incorrect classification of students.

**Effect:** The District is not in compliance with State requirements.

**Context:** 14 of 11,575 (6,019 in 2013-14 and 5,556 in 2014-15) students reported in the District’s Unduplicated Pupil Count did not have proper supporting documentation to support their FRPM designation.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2015**

**Questioned Cost:** \$12,222, as calculated below.

<b>LCFF Target Base Grant Amount and Pupil Counts</b>		
1) Total Base Grant Amount <sup>(1)</sup>		<b>64,322,177</b>
	<b>Section 1: UPP</b>	<b>Section 2: UPP</b>
2) Total Enrollment Count from Unduplicated Pupil Percentage Exhibit <sup>(2)</sup>	<b>15,636</b>	<b>15,598</b>
3) Unduplicated Pupil Count from Unduplicated Pupil Percentage Exhibit <sup>(3)</sup>	<b>11,112</b>	<b>11,575</b>
<b>Unduplicated Pupil Percentage Adjustment</b>		
4) Unduplicated Pupil Count	11,112	11,575
5) Number of Unduplicated Pupil Count Adjustment (plus or minus) <sup>(4)</sup>	(14)	(14)
6) Adjusted Unduplicated Pupil Count	11,098	11,561
7) Unduplicated Pupil Percentage calculated at P-2	0.7107	0.7421
8) Adjusted Unduplicated Pupil Percentage	0.7098	0.7412
<b>9) Funded UPP (Greater of Section 1 or 2)</b>		<b>0.7412</b>
<b>Target Supplemental Audit Adjustment</b>		
10) Target supplemental grant funding calculated at P-2	-	9,546,698
11) Adjusted target supplemental grant funding	-	9,535,120
12) Target supplemental audit adjustment	-	(11,578)
<b>Target Concentration Audit Adjustment</b>		
13) Target Concentration grant funding calculated at P-2	5,168,287	6,178,145
14) Adjusted target concentration grant funding	5,139,342	6,149,200
15) Target concentration audit adjustment	(28,945)	(28,945)
<b>Value of Adjustment in Current Year</b>		
16) Total target supplemental and concentration audit adjustment	(28,945)	(40,523)
17) Statewide gap funding rate	0.3016000000	0.3016000000
18) Estimated value of unduplicated pupil count audit adjustment for 2014-15	<b>(8,730)</b>	<b>(12,222)</b>

**Recommendation:** We recommend that the District ensure that all students listed as FRPM in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report have proper documentation to support their CALPADS designation.

**District Response:** The Assistant Superintendent and related staff will work in collaboration prior to the reporting deadline to ensure proper reporting and supporting documentation is available. A process has been developed with all staff involved to assist in preventing this type of error in the future. A reconciliation will be performed to confirm prior to submission of the data. The process was followed collaboratively in the current year 2015 and has been implemented for the 2015-16 school year.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**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  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS , continued  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**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.

**Current Status:** Implemented.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS , continued  
FOR THE YEAR ENDED JUNE 30, 2015

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**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.

**Current Status:** Implemented.