

# **SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**

**AUDIT REPORT  
JUNE 30, 2019**



**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
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JUNE 30, 2019**

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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, 2019, and the related notes to the financial statements, which collectively comprise the Santa Maria Joint Union High School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Maria Joint Union High School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in net OPEB liability and related ratios, schedule of District contributions and investment returns for OPEB, 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, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 November 26, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Santa Maria Joint Union High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Maria Joint Union High School District's internal control over financial reporting and compliance.

*Christy White, Inc.*

San Diego, California  
November 26, 2019

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

## INTRODUCTION

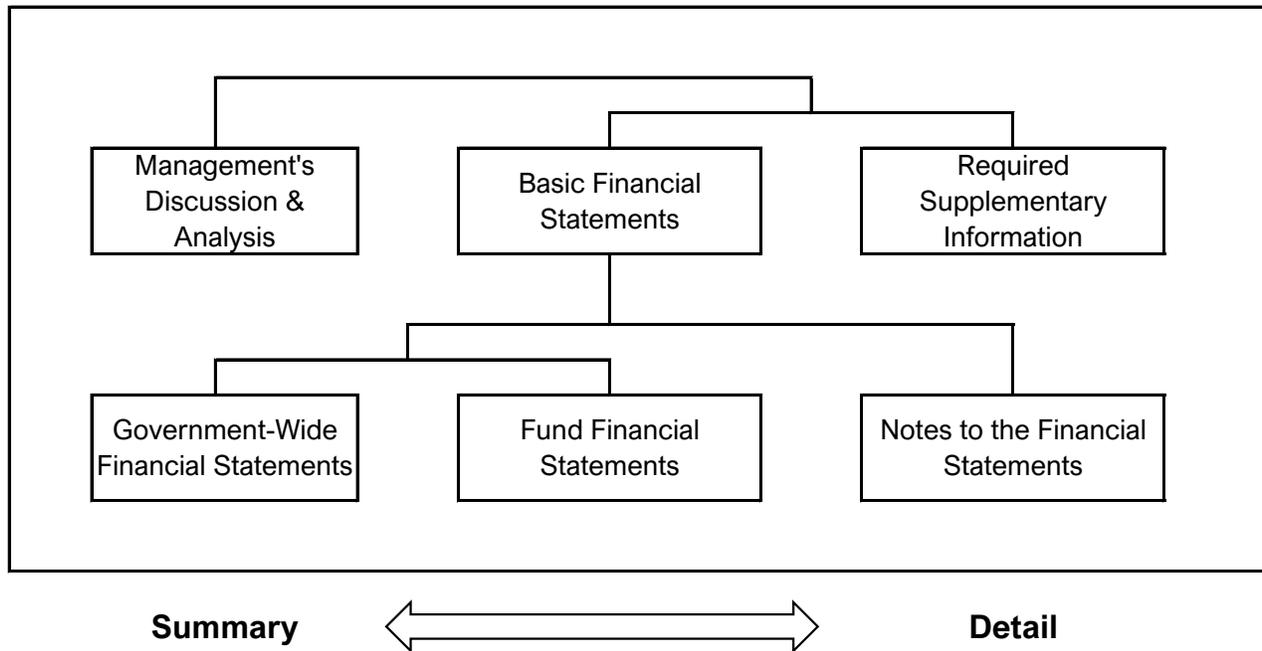
This discussion and analysis of Santa Maria Joint Union High School District (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The District's total net position was \$40,137,930 at June 30, 2019. This was an increase of \$19,594,203 from the prior year.
- Overall revenues were \$140,529,286 which exceeded expenses of \$120,935,083.

## 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, 2019**

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**OVERVIEW OF FINANCIAL STATEMENTS (continued)**

**Components of the Financials Section (continued)**

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. Local control formula 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, 2019**

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

**Net Position**

The District's net position was \$40,137,930 at June 30, 2019, as reflected in the table below. Of this amount, \$(85,455,862) 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>2019</b>	<b>2018</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 101,025,700	\$ 103,455,036	\$ (2,429,336)
Capital assets	174,917,221	155,125,171	19,792,050
<b>Total Assets</b>	<b>275,942,921</b>	<b>258,580,207</b>	<b>17,362,714</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>34,450,997</b>	<b>36,679,385</b>	<b>(2,228,388)</b>
<b>LIABILITIES</b>			
Current liabilities	18,143,841	18,471,181	(327,340)
Long-term liabilities	241,009,066	245,416,841	(4,407,775)
<b>Total Liabilities</b>	<b>259,152,907</b>	<b>263,888,022</b>	<b>(4,735,115)</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>11,103,081</b>	<b>10,827,843</b>	<b>275,238</b>
<b>NET POSITION</b>			
Net investment in capital assets	88,978,518	78,569,373	10,409,145
Restricted	36,615,274	27,282,095	9,333,179
Unrestricted	(85,455,862)	(85,307,741)	(148,121)
<b>Total Net Position</b>	<b>\$ 40,137,930</b>	<b>\$ 20,543,727</b>	<b>\$ 19,594,203</b>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

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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 and rearranges it slightly, so you can see the District's total revenues and expenses for the year.

	<b>Governmental Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 2,266,957	\$ 893,758	\$ 1,373,199
Operating grants and contributions	15,545,327	15,942,220	(396,893)
Capital grants and contributions	10,387,663	-	10,387,663
General revenues			
Property taxes	47,989,035	46,986,056	1,002,979
Unrestricted federal and state aid	59,006,412	49,476,217	9,530,195
Other	5,333,892	1,277,562	4,056,330
<b>Total Revenues</b>	<b>140,529,286</b>	<b>114,575,813</b>	<b>25,953,473</b>
<b>EXPENSES</b>			
Instruction	56,366,915	57,169,054	(802,139)
Instruction-related services	13,895,267	12,648,479	1,246,788
Pupil services	15,242,910	13,525,161	1,717,749
General administration	5,904,414	5,245,845	658,569
Plant services	12,940,037	13,209,387	(269,350)
Ancillary and community services	2,769,084	2,676,720	92,364
Debt service	5,062,076	4,549,021	513,055
Other outgo	3,696,061	819,964	2,876,097
Depreciation	5,058,319	4,567,103	491,216
<b>Total Expenses</b>	<b>120,935,083</b>	<b>114,410,734</b>	<b>6,524,349</b>
<b>Change in net position</b>	<b>19,594,203</b>	<b>165,079</b>	<b>19,429,124</b>
<b>Net Position - Beginning</b>	<b>20,543,727</b>	<b>20,378,648</b>	<b>165,079</b>
<b>Net Position - Ending</b>	<b>\$ 40,137,930</b>	<b>\$ 20,543,727</b>	<b>\$ 19,594,203</b>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position (continued)**

In the table below, we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	<b>Net Cost of Services</b>	
	<b>2019</b>	<b>2018</b>
Instruction	\$ 38,339,439	\$ 47,945,011
Instruction-related services	11,874,950	11,201,738
Pupil services	10,354,102	9,018,490
General administration	5,202,534	4,289,453
Plant services	12,615,249	12,938,412
Ancillary and community services	2,699,259	2,578,389
Debt service	5,062,076	4,549,021
Transfers to other agencies	1,529,208	487,139
Depreciation	5,058,319	4,567,103
<b>Total Expenses</b>	<b>\$ 92,735,136</b>	<b>\$ 97,574,756</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 \$92,963,686 which is less than last year's ending fund balance of \$95,087,448. The District's General Fund had \$7,135,325 more in operating revenues than expenditures for the year ended June 30, 2019. The District's Building Fund had \$19,109,006 more in operating expenditures than revenues during the year ended June 30, 2019 due to continued construction of the new Agricultural and Career Technical Education Center . The District's County School Facilities Fund had \$10,634,668 more in operating revenues than expenditures during the year ended June 30, 2019 primarily due to the receipt of State School Facilities funding. In addition, the District's Bond Interest and Redemption Fund experienced a net decrease in fund balance of \$1,322,647 during the year ended June 30, 2019.

**CURRENT YEAR BUDGET 2018-2019**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis 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, 2019**

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**CAPITAL ASSETS AND LONG-TERM LIABILITIES**

**Capital Assets**

By the end of 2018-2019 the District had invested \$174,917,221 in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 12,293,183	\$ 12,293,183	\$ -
Construction in progress	15,515,368	18,169,203	(2,653,835)
Land improvements	21,715,850	20,844,322	871,528
Buildings & improvements	164,248,023	140,363,628	23,884,395
Furniture & equipment	23,361,127	20,690,527	2,670,600
Accumulated depreciation	(62,216,330)	(57,235,692)	(4,980,638)
<b>Total Capital Assets</b>	<b>\$ 174,917,221</b>	<b>\$ 155,125,171</b>	<b>\$ 19,792,050</b>

**Long-Term Liabilities**

At year-end, the District had \$241,009,066 in long-term liabilities, a decrease of 1.8% from last year. More detailed information about the District's long-term liabilities is presented in Note 8 of the financial statements.

	<b>Governmental Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 131,557,717	\$ 140,055,640	\$ (8,497,923)
Total certificates of participation	2,302,685	2,696,331	(393,646)
Early retirement incentive	-	10,000	(10,000)
Compensated absences	558,863	479,469	79,394
Net OPEB liability	18,484,807	17,910,655	574,152
Net pension liability	97,800,137	94,011,329	3,788,808
Less: current portion of long-term liabilities	(9,695,143)	(9,746,583)	51,440
<b>Total Long-term Liabilities</b>	<b>\$ 241,009,066</b>	<b>\$ 245,416,841</b>	<b>\$ (4,407,775)</b>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

The US economy continues to grow slowly, but the State economic growth is slowing down due to low levels of available employees. However, the State is still experiencing overall economic prosperity. The State Budget for Education contained an increase of 3.26% in fiscal year 2019-20, plus \$3.15 billion in non-Proposition 98 funding for school employer pension relief.

The fiscal policy for the funding of public education changes annually, based on fluctuations in State revenues. The UCLA Anderson Forecast (June 2019) noted that the risk of recession is about 50% within the next 5-8 quarters depending on the model, the biggest economic threat being from the escalating trade war with China and Mexico. If a recession were to happen, State revenues for public education would be negatively impacted.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). 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.

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 District participates in state employee pensions 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, 2019. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans received a one-time funding allocation from the 2019-20 State Budget and continue to raise employer rates in future years. The projected increased pension costs to school employers remain a significant fiscal factor.

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 2019-20 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, 2019**

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 96,085,922
Accounts receivable	4,719,985
Inventory	214,127
Prepaid expenses	5,666
Capital assets, not depreciated	27,808,551
Capital assets, net of accumulated depreciation	<u>147,108,670</u>
<b>Total Assets</b>	<u>275,942,921</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	32,127,544
Deferred outflows related to OPEB	1,179,369
Deferred amount on refunding	<u>1,144,084</u>
<b>Total Deferred Outflows of Resources</b>	<u>34,450,997</u>
<b>LIABILITIES</b>	
Accrued liabilities	7,895,862
Unearned revenue	552,836
Long-term liabilities, current portion	9,695,143
Long-term liabilities, non-current portion	<u>241,009,066</u>
<b>Total Liabilities</b>	<u>259,152,907</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	7,840,906
Deferred inflows related to OPEB	<u>3,262,175</u>
<b>Total Deferred Inflows of Resources</b>	<u>11,103,081</u>
<b>NET POSITION</b>	
Net investment in capital assets	88,978,518
Restricted:	
Capital projects	19,363,523
Debt service	13,297,103
Educational programs	1,694,202
Food service	2,260,446
Unrestricted	<u>(85,455,862)</u>
<b>Total Net Position</b>	<u>\$ 40,137,930</u>

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, 2019**

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>					
Instruction	\$ 56,366,915	\$ 507,088	\$ 7,132,725	\$ 10,387,663	\$ (38,339,439)
Instruction-related services					
Instructional supervision and administration	4,423,805	44,467	1,323,623	-	(3,055,715)
Instructional library, media, and technology	3,536,295	-	345,072	-	(3,191,223)
School site administration	5,935,167	575	306,580	-	(5,628,012)
Pupil services					
Home-to-school transportation	2,146,630	-	83,110	-	(2,063,520)
Food services	4,026,289	861,384	3,196,941	-	32,036
All other pupil services	9,069,991	17,106	730,267	-	(8,322,618)
General administration					
Centralized data processing	284,023	-	8,623	-	(275,400)
All other general administration	5,620,391	67,033	626,224	-	(4,927,134)
Plant services	12,940,037	1,842	322,946	-	(12,615,249)
Ancillary services	2,769,084	101	69,724	-	(2,699,259)
Interest on long-term debt	5,062,076	-	-	-	(5,062,076)
Other outgo	3,696,061	767,361	1,399,492	-	(1,529,208)
Depreciation (unallocated)	5,058,319	-	-	-	(5,058,319)
<b>Total Governmental Activities</b>	<b>\$ 120,935,083</b>	<b>\$ 2,266,957</b>	<b>\$ 15,545,327</b>	<b>\$ 10,387,663</b>	<b>(92,735,136)</b>
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					36,217,152
Property taxes, levied for debt service					11,694,086
Property taxes, levied for other specific purposes					77,797
Federal and state aid not restricted for specific purposes					59,006,412
Interest and investment earnings					1,242,062
Interagency revenues					36,678
Miscellaneous					4,055,152
<b>Subtotal, General Revenue</b>					<b>112,329,339</b>
<b>CHANGE IN NET POSITION</b>					<b>19,594,203</b>
<b>Net Position - Beginning</b>					<b>20,543,727</b>
<b>Net Position - Ending</b>					<b>\$ 40,137,930</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, 2019**

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 18,413,398	\$ 41,389,292	\$ 14,299,031	\$ 14,326,542	\$ 6,957,007	\$ 95,385,270
Accounts receivable	3,898,059	207,088	70,630	61,437	479,231	4,716,445
Due from other funds	40,809	-	-	-	39,705	80,514
Stores inventory	206,715	-	-	-	7,412	214,127
Prepaid expenditures	5,666	-	-	-	-	5,666
<b>Total Assets</b>	<b>\$ 22,564,647</b>	<b>\$ 41,596,380</b>	<b>\$ 14,369,661</b>	<b>\$ 14,387,979</b>	<b>\$ 7,483,355</b>	<b>\$ 100,402,022</b>
<b>LIABILITIES</b>						
Accrued liabilities	\$ 4,043,661	\$ 2,580,499	\$ -	\$ -	\$ 180,826	\$ 6,804,986
Due to other funds	39,705	-	-	-	40,809	80,514
Unearned revenue	552,836	-	-	-	-	552,836
<b>Total Liabilities</b>	<b>4,636,202</b>	<b>2,580,499</b>	<b>-</b>	<b>-</b>	<b>221,635</b>	<b>7,438,336</b>
<b>FUND BALANCES</b>						
Nonspendable	227,381	-	-	-	7,412	234,793
Restricted	1,694,202	39,015,881	14,369,661	14,387,979	7,254,308	76,722,031
Assigned	7,125,044	-	-	-	-	7,125,044
Unassigned	8,881,818	-	-	-	-	8,881,818
<b>Total Fund Balances</b>	<b>17,928,445</b>	<b>39,015,881</b>	<b>14,369,661</b>	<b>14,387,979</b>	<b>7,261,720</b>	<b>92,963,686</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 22,564,647</b>	<b>\$ 41,596,380</b>	<b>\$ 14,369,661</b>	<b>\$ 14,387,979</b>	<b>\$ 7,483,355</b>	<b>\$ 100,402,022</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, 2019**

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**Total Fund Balance - Governmental Funds** \$ 92,963,686

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	\$ 237,133,551	
Accumulated depreciation	<u>(62,216,330)</u>	174,917,221

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:

1,144,084

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:

(1,090,876)

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	\$ 131,557,717	
Total certificates of participation	2,302,685	
Compensated absences	558,863	
Net OPEB liability	18,484,807	
Net pension liability	<u>97,800,137</u>	(250,704,209)

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	\$ 32,127,544	
Deferred inflows of resources related to pensions	<u>(7,840,906)</u>	24,286,638

Deferred outflows and inflows of resources relating to OPEB:

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

Deferred outflows of resources related to OPEB	\$ 1,179,369	
Deferred inflows of resources related to OPEB	<u>(3,262,175)</u>	(2,082,806)

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:

704,192

**Total Net Position - Governmental Activities** \$ 40,137,930

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, 2019**

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
LCFF sources	\$ 92,097,269	\$ -	\$ -	\$ -	\$ -	\$ 92,097,269
Federal sources	4,836,219	-	-	-	3,002,096	7,838,315
Other state sources	12,092,857	-	10,387,663	92,385	273,590	22,846,495
Other local sources	6,218,362	1,428,205	247,005	11,936,289	2,477,391	22,307,252
<b>Total Revenues</b>	<b>115,244,707</b>	<b>1,428,205</b>	<b>10,634,668</b>	<b>12,028,674</b>	<b>5,753,077</b>	<b>145,089,331</b>
<b>EXPENDITURES</b>						
Current						
Instruction	57,474,806	-	-	-	-	57,474,806
Instruction-related services						
Instructional supervision and administration	4,476,283	-	-	-	-	4,476,283
Instructional library, media, and technology	3,873,559	-	-	-	-	3,873,559
School site administration	5,657,184	-	-	-	-	5,657,184
Pupil services						
Home-to-school transportation	2,118,065	-	-	-	-	2,118,065
Food services	52	-	-	-	4,040,266	4,040,318
All other pupil services	8,629,583	-	-	-	-	8,629,583
General administration						
Centralized data processing	240,950	-	-	-	-	240,950
All other general administration	4,918,890	-	-	-	247,000	5,165,890
Plant services	12,735,311	51,042	-	-	-	12,786,353
Facilities acquisition and maintenance	951,890	20,486,169	-	-	824,221	22,262,280
Ancillary services	2,962,336	-	-	-	-	2,962,336
Transfers to other agencies	3,696,061	-	-	-	-	3,696,061
Debt service						
Principal	308,277	-	-	8,900,000	85,369	9,293,646
Interest and other	66,135	-	-	4,451,321	18,323	4,535,779
<b>Total Expenditures</b>	<b>108,109,382</b>	<b>20,537,211</b>	<b>-</b>	<b>13,351,321</b>	<b>5,215,179</b>	<b>147,213,093</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>7,135,325</b>	<b>(19,109,006)</b>	<b>10,634,668</b>	<b>(1,322,647)</b>	<b>537,898</b>	<b>(2,123,762)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	914,000	914,000
Transfers out	(914,000)	-	-	-	-	(914,000)
<b>Net Financing Sources (Uses)</b>	<b>(914,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>914,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>6,221,325</b>	<b>(19,109,006)</b>	<b>10,634,668</b>	<b>(1,322,647)</b>	<b>1,451,898</b>	<b>(2,123,762)</b>
<b>Fund Balance - Beginning</b>	<b>11,707,120</b>	<b>58,124,887</b>	<b>3,734,993</b>	<b>15,710,626</b>	<b>5,809,822</b>	<b>95,087,448</b>
<b>Fund Balance - Ending</b>	<b>\$ 17,928,445</b>	<b>\$ 39,015,881</b>	<b>\$ 14,369,661</b>	<b>\$ 14,387,979</b>	<b>\$ 7,261,720</b>	<b>\$ 92,963,686</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, 2019**

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**Net Change in Fund Balances - Governmental Funds** \$ (2,123,762)

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:	\$ 24,850,369	
Depreciation expense:	<u>(5,058,319)</u>	19,792,050

**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:

9,293,646

**Deferred amounts on refunding:**

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

(172,649)

**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:

48,429

**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.

(1,007,181)

**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:

(79,394)

*(continued on the following page)*

**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, 2019**

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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 for early retirement incentives were: 10,000

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (730,436)

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: (5,963,501)

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: 605,104

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: (78,103)

<b>Change in Net Position of Governmental Activities</b>		<b>\$ 19,594,203</b>
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**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2019**

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	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
	<u>Self-Insurance Fund</u>
<b>ASSETS</b>	
Current assets	
Cash and investments	\$ 700,652
Accounts receivable	3,540
Total current assets	<u>704,192</u>
<b>Total Assets</b>	<u>704,192</u>
 <b>NET POSITION</b>	
Restricted	704,192
<b>Total Net Position</b>	<u>\$ 704,192</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, 2019**

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	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
	<u>Self-Insurance Fund</u>
<b>OPERATING REVENUE</b>	
Charges for services	\$ 841,268
<b>Total operating revenues</b>	<u>841,268</u>
<b>OPERATING EXPENSE</b>	
Professional services	935,806
<b>Total operating expenses</b>	<u>935,806</u>
<b>Operating loss</b>	<u>(94,538)</u>
<b>NON-OPERATING REVENUES</b>	
Interest income	<u>16,435</u>
<b>Total non-operating revenues</b>	<u>16,435</u>
<b>CHANGE IN NET POSITION</b>	(78,103)
<b>Net Position - Beginning</b>	<u>782,295</u>
<b>Net Position - Ending</b>	<u>\$ 704,192</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, 2019**

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	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
	<u>Self-Insurance Fund</u>
<b>Cash flows from operating activities</b>	
Cash received from user charges	\$ 840,879
Cash paid from assessments made from other funds	(935,806)
Net cash used for operating activities	<u>(94,927)</u>
<b>Cash flows from investing activities</b>	
Interest received	16,435
Net cash provided by investing activities	<u>16,435</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(78,492)</u>
 <b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	779,144
End of year	<u>\$ 700,652</u>
 <b>Reconciliation of operating loss to cash used for operating activities</b>	
Operating loss	\$ (94,538)
Changes in assets and liabilities:	
Increase in accounts receivable	(389)
<b>Net cash used for operating activities</b>	<u>\$ (94,927)</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, 2019**

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	<u>Trust Fund</u> <u>Retiree Benefit</u> <u>Fund</u>	<u>Agency Fund</u> <u>Student Body</u> <u>Fund</u>
<b>ASSETS</b>		
Cash and investments	\$ 2,370,651	\$ 1,279,773
<b>Total Assets</b>	<u>\$ 2,370,651</u>	<u>\$ 1,279,773</u>
<b>LIABILITIES</b>		
Accrued liabilities	\$ 6,021	\$ -
Due to student groups	-	1,279,773
<b>Total Liabilities</b>	<u>6,021</u>	<u>\$ 1,279,773</u>
<b>NET POSITION</b>		
Restricted	2,364,630	
<b>Total Net Position</b>	<u>\$ 2,364,630</u>	

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2019**

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	<u>Trust Fund</u> <u>Retiree Benefit</u> <u>Fund</u>
<b>ADDITIONS</b>	
Contributions	\$ 951,129
Investment earnings	153,889
<b>Total Additions</b>	<u>1,105,018</u>
<b>DEDUCTIONS</b>	
Benefit payments	411,881
Administrative expense	23,220
<b>Total Deductions</b>	<u>435,101</u>
<b>CHANGE IN NET POSITION</b>	669,917
<b>Net Position - Beginning</b>	1,694,713
<b>Net Position - Ending</b>	<u>\$ 2,364,630</u>

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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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, 2019**

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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*).

**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.*).

**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, 2019**

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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*).

**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*).

**Proprietary Funds**

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

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**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.

**Retiree Benefit Fund:** This fund exists to account separately for amounts held in trust from salary reduction agreements, other irrevocable contributions for employees' retirement benefit payments, or both.

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

**D. Basis of Accounting – Measurement Focus**

**Government-Wide, Proprietary, and Fiduciary Financial Statements**

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

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

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

**Governmental Funds**

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**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, 2019**

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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 equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

**Investments**

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. 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 acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

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

**Interfund Balances**

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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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 (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.

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

For purposes of measuring the net OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Gains and losses related to changes in net OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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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 (continued)**

**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.

**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.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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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 (continued)**

**Fund Balance (continued)**

*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.

**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.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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

**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.

**J. New Accounting Pronouncements**

**GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

**GASB Statement No. 88** – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has implemented GASB Statement No. 88 for the year ended June 30, 2019.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

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**NOTE 2 – CASH AND INVESTMENTS**

**A. Summary of Cash and Investments**

	<b>Governmental Funds</b>	<b>Internal Service Fund</b>	<b>Governmental Activities</b>	<b>Fiduciary Funds</b>
Investment in county treasury	\$ 93,867,421	\$ 565,500	\$ 94,432,921	\$ -
Fair market value adjustment	340,734	2,053	342,787	-
Cash on hand and in banks	65,561	133,099	198,660	1,279,773
Cash with fiscal agent	1,096,554	-	1,096,554	-
Cash in revolving fund	15,000	-	15,000	-
Futuris trust	-	-	-	2,370,651
<b>Total</b>	<b>\$ 95,385,270</b>	<b>\$ 700,652</b>	<b>\$ 96,085,922</b>	<b>\$ 3,650,424</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.

**Cash with Fiscal Agent** – The District has deposited amounts with escrow agents for the purpose of making payments to service providers under authorized agreements in the General Fund and the Building Fund.

**Futuris Trust** – The District has established the Futuris Public Entity Investment Trust account under IRS Section 115. The amounts deposited in the trust are irrevocable and designated for the purpose of investment and disbursement of payments related to obligations to eligible employees under the District’s OPEB plan.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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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 \$94,775,708 and an amortized book value of \$94,432,921. The average weighted maturity for this pool is 298 days. The District's investments in Futuris do not have an average weighted maturity.

**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, 2019, the pooled investments in the County Treasury were rated at least A.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**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, 2019, the District's bank balance was not exposed to custodial credit risk.

**G. Fair Value**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Santa Barbara County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2019 were as follows:

	<b>Quoted Prices</b>		
	<b>Level 1</b>	<b>Uncategorized</b>	<b>Total</b>
Investment in county treasury	\$ -	\$ 94,775,708	\$ 94,775,708
Futuris trust	2,370,651	-	2,370,651
<b>Total fair market value of investments</b>	<b>\$ 2,370,651</b>	<b>\$ 94,775,708</b>	<b>\$ 97,146,359</b>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2019 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government							
Categorical aid	\$ 2,721,576	\$ -	\$ -	\$ -	\$ 424,174	\$ -	\$ 3,145,750
State Government							
Categorical aid	593,305	-	-	-	31,077	-	624,382
Lottery	370,504	-	-	-	-	-	370,504
Local Government							
Other local sources	212,674	207,088	70,630	61,437	23,980	3,540	579,349
<b>Total</b>	<b>\$ 3,898,059</b>	<b>\$ 207,088</b>	<b>\$ 70,630</b>	<b>\$ 61,437</b>	<b>\$ 479,231</b>	<b>\$ 3,540</b>	<b>\$ 4,719,985</b>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance July 01, 2018	Additions	Deletions	Balance June 30, 2019
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 12,293,183	\$ -	\$ -	\$ 12,293,183
Construction in progress	18,169,203	12,377,553	15,031,388	15,515,368
Total Capital Assets not Being Depreciated	30,462,386	12,377,553	15,031,388	27,808,551
Capital assets being depreciated				
Land improvements	20,844,322	871,528	-	21,715,850
Buildings & improvements	140,363,628	23,884,395	-	164,248,023
Furniture & equipment	20,690,527	2,748,281	77,681	23,361,127
Total Capital Assets Being Depreciated	181,898,477	27,504,204	77,681	209,325,000
Less Accumulated Depreciation				
Land improvements	7,995,435	1,025,102	-	9,020,537
Buildings & improvements	33,742,373	3,052,552	-	36,794,925
Furniture & equipment	15,497,884	980,665	77,681	16,400,868
Total Accumulated Depreciation	57,235,692	5,058,319	77,681	62,216,330
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 155,125,171</b>	<b>\$ 34,823,438</b>	<b>\$ 15,031,388</b>	<b>\$ 174,917,221</b>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 5 – INTERFUND TRANSACTIONS**

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

Individual interfund receivable and payable balances at June 30, 2019 were as follows:

	Due To Other Funds	Due From Other Funds		
		General Fund	Non-Major Governmental Funds	Total
General Fund		\$ -	\$ 39,705	\$ 39,705
Non-Major Governmental Funds		40,809	-	40,809
<b>Total Due From Other Funds</b>		<b>\$ 40,809</b>	<b>\$ 39,705</b>	<b>\$ 80,514</b>

Due from the Cafeteria Fund to the General Fund for indirect costs and OPEB contributions.	\$ 40,809
Due from the General Fund to the Special Reserve Fund for Capital Outlay Projects to move remaining AB1290 RDA property tax revenue.	38,898
Due from the General Fund to the Cafeteria Fund for reimbursement of costs.	807
<b>Total</b>	<b>\$ 80,514</b>

**B. Operating Transfers**

During the year ended June 30, 2019, the General Fund transferred \$914,000 to the Special Reserve Fund for Capital Outlay Projects to move AB1290 RDA property tax revenue.

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2019 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	\$ 427,043	\$ -	\$ 6,401	\$ -	\$ 433,444
Construction	-	2,580,499	43,476	-	2,623,975
Vendors payable	3,616,618	-	130,949	-	3,747,567
Unmatured interest	-	-	-	1,090,876	1,090,876
<b>Total</b>	<b>\$ 4,043,661</b>	<b>\$ 2,580,499</b>	<b>\$ 180,826</b>	<b>\$ 1,090,876</b>	<b>\$ 7,895,862</b>

**NOTE 7 – UNEARNED REVENUE**

Unearned revenue in the General Fund at June 30, 2019 amounted to \$552,836, which consists of \$109,229 in federal sources and \$443,607 in state sources.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

**NOTE 8 – LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2019 consisted of the following:

	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 125,634,253	\$ -	\$ 8,900,000	\$ 116,734,253	\$ 8,720,000
Unamortized premium	7,666,834	-	605,104	7,061,730	561,542
Accreted interest	6,754,553	1,007,181	-	7,761,734	-
Total general obligation bonds	140,055,640	1,007,181	9,505,104	131,557,717	9,281,542
Certificates of participation	2,696,331	-	393,646	2,302,685	413,601
Early retirement incentive	10,000	-	10,000	-	-
Compensated absences	479,469	79,394	-	558,863	-
Net OPEB liability	17,910,655	574,152	-	18,484,807	-
Net pension liability	94,011,329	3,788,808	-	97,800,137	-
<b>Total</b>	<b>\$ 255,163,424</b>	<b>\$ 5,449,535</b>	<b>\$ 9,908,750</b>	<b>\$ 250,704,209</b>	<b>\$ 9,695,143</b>

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for certificates of participation are made in the General Fund and Capital Facilities Fund.
- Payments for early retirement incentive are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

**A. Compensated Absences**

Total unpaid employee compensated absences as of amounted to \$558,863. This amount is included as part of long-term liabilities in the government-wide financial statements.

**B. Certificates of Participation**

The annual requirements to amortize the certificates of participation outstanding at June 30, 2019 are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 413,601	\$ 71,504	\$ 485,105
2021	444,290	57,814	502,104
2022	479,009	43,095	522,104
2023	509,825	27,279	537,104
2024	455,960	11,144	467,104
Total	<b>\$ 2,302,685</b>	<b>\$ 210,836</b>	<b>\$ 2,513,521</b>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

**NOTE 8 – LONG-TERM LIABILITIES (continued)**

**C. General Obligation Bonds**

The outstanding general obligation bonded debt of the District as of June 30, 2019 is as follows:

Series	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2019
				Outstanding July 01, 2018	Additions	Deductions	
Election 2000, Series B	2025	2.00% - 4.38%	\$ 12,000,000	\$ 2,200,000	\$ -	\$ -	\$ 2,200,000
Election 2004, Series 2005	2031	2.00% - 5.01%	34,998,222	3,678,221	-	-	3,678,221
Election 2004, Series 2013	2038	2.00% - 5.35%	14,999,873	12,739,873	-	-	12,739,873
2013 Refunding	2027	4.00% - 5.00%	26,820,000	22,040,000	-	1,755,000	20,285,000
Election 2004, Series 2014	2038	3.00% - 5.00%	28,996,159	28,996,159	-	360,000	28,636,159
2015 Refunding	2021	1.46%	860,000	690,000	-	230,000	460,000
2016 Refunding	2021	1.79%	10,065,000	8,290,000	-	2,755,000	5,535,000
Election 2016, Series 2017	2043	2.00% - 5.00%	47,000,000	47,000,000	-	3,800,000	43,200,000
				<u>\$ 125,634,253</u>	<u>\$ -</u>	<u>\$ 8,900,000</u>	<u>\$ 116,734,253</u>

The annual requirements to amortize the Election 2000, Series B general obligation bonds outstanding at June 30, 2019, are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ -	\$ 123,750	\$ 123,750
2021	-	123,750	123,750
2022	-	123,750	123,750
2023	660,000	123,750	783,750
2024	730,000	86,625	816,625
2025	810,000	45,563	855,563
Total	<u>\$ 2,200,000</u>	<u>\$ 627,188</u>	<u>\$ 2,827,188</u>

The annual requirements to amortize the Election 2004, Series 2005 general obligation bonds outstanding at June 30, 2019, are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025 - 2029	2,142,052	7,047,948	9,190,000
2030 - 2031	1,536,169	5,813,830	7,349,999
Total	<u>\$ 3,678,221</u>	<u>\$ 12,861,778</u>	<u>\$ 16,539,999</u>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 8 – LONG-TERM LIABILITIES (continued)**

**C. General Obligation Bonds (continued)**

The annual requirements to amortize the Election 2004, Series 2013 general obligation bonds outstanding at June 30, 2019 are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ -	421,250	\$ 421,250
2021	-	421,250	421,250
2022	-	421,250	421,250
2023	-	421,250	421,250
2024	-	421,250	421,250
2025 - 2029	-	2,106,250	2,106,250
2030 - 2034	8,425,000	1,705,500	10,130,500
2035 - 2038	4,314,873	-	4,314,873
<b>Total</b>	<b>\$ 12,739,873</b>	<b>\$ 5,918,000</b>	<b>\$ 18,657,873</b>

The annual requirements to amortize the 2013 Refunding general obligation bonds outstanding at June 30, 2019 are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 1,525,000	\$ 928,725	\$ 2,453,725
2021	1,780,000	867,725	2,647,725
2022	1,845,000	796,525	2,641,525
2023	2,315,000	733,600	3,048,600
2024	2,635,000	641,000	3,276,000
2025 - 2027	10,185,000	1,059,000	11,244,000
<b>Total</b>	<b>\$ 20,285,000</b>	<b>\$ 5,026,575</b>	<b>\$ 25,311,575</b>

The annual requirements to amortize the Election 2004, Series 2014 general obligation bonds outstanding at June 30, 2019, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 355,000	\$ 1,032,875	\$ 1,387,875
2021	350,000	1,015,250	1,365,250
2022	550,000	992,750	1,542,750
2023	360,000	970,000	1,330,000
2024	345,000	952,375	1,297,375
2025 - 2029	1,080,000	4,545,050	5,625,050
2030 - 2034	9,366,159	7,069,860	16,436,019
2035 - 2038	16,230,000	1,364,800	17,594,800
<b>Total</b>	<b>\$ 28,636,159</b>	<b>\$ 17,942,960</b>	<b>\$ 46,579,119</b>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 8 – LONG-TERM LIABILITIES (continued)**

**C. General Obligation Bonds (continued)**

The annual requirements to amortize the 2015 Refunding Bonds outstanding at June 30, 2019, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 265,000	\$ 4,782	\$ 269,782
2021	195,000	1,424	196,424
<b>Total</b>	<b>\$ 460,000</b>	<b>\$ 6,206</b>	<b>\$ 466,206</b>

The annual requirements to amortize the 2016 Refunding Bonds outstanding at June 30, 2019, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 3,160,000	\$ 70,795	\$ 3,230,795
2021	2,375,000	21,256	2,396,256
<b>Total</b>	<b>\$ 5,535,000</b>	<b>\$ 92,051</b>	<b>\$ 5,627,051</b>

The annual requirements to amortize the Election 2016, Series 2017 general obligation bonds outstanding at June 30, 2019, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 3,415,000	\$ 1,643,506	\$ 5,058,506
2021	2,705,000	1,490,506	4,195,506
2022	-	1,422,881	1,422,881
2023	-	1,422,881	1,422,881
2024	-	1,422,881	1,422,881
2025 - 2029	2,365,000	6,999,531	9,364,531
2030 - 2034	8,500,000	5,629,381	14,129,381
2035 - 2039	12,495,000	3,872,334	16,367,334
2040 - 2043	13,720,000	1,146,600	14,866,600
<b>Total</b>	<b>\$ 43,200,000</b>	<b>\$ 25,050,501</b>	<b>\$ 68,250,501</b>

**D. 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 final payment on this agreement was made during the year ended June 30, 2019.

**E. Other Postemployment Benefits**

The District's beginning net OPEB liability was \$17,910,655 and increased by \$574,152 during the year ended June 30, 2019. The ending net OPEB liability at June 30, 2019 was \$18,484,807. See Note 10 for additional information regarding the net OPEB liability.

**F. Net Pension Liability**

The District's beginning net pension liability was \$94,011,329 and increased by \$3,788,808 during the year ended June 30, 2019. The ending net pension liability at June 30, 2019 was \$97,800,137. 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, 2019**

**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2019:

	<b>General Fund</b>	<b>Building Fund</b>	<b>County School Facilities Fund</b>	<b>Bond Interest &amp; Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
Non-spendable						
Revolving cash	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 15,000
Stores inventory	206,715	-	-	-	7,412	214,127
Prepaid expenditures	5,666	-	-	-	-	5,666
Total non-spendable	227,381	-	-	-	7,412	234,793
Restricted						
Educational programs	1,694,202	-	-	-	-	1,694,202
Capital projects	-	39,015,881	14,369,661	-	4,993,862	58,379,404
Debt service	-	-	-	14,387,979	-	14,387,979
Food service	-	-	-	-	2,260,446	2,260,446
Total restricted	1,694,202	39,015,881	14,369,661	14,387,979	7,254,308	76,722,031
Assigned						
Unexpended one-time funds	1,777,732	-	-	-	-	1,777,732
Career technical education	1,364,882	-	-	-	-	1,364,882
SIPE carryover	766,187	-	-	-	-	766,187
Site/department carryovers	511,818	-	-	-	-	511,818
MAA carryover	314,271	-	-	-	-	314,271
AP test	250,000	-	-	-	-	250,000
Maintenance and operations equipment	231,753	-	-	-	-	231,753
Certificated medical savings	183,243	-	-	-	-	183,243
Miscellaneous grants and donations	132,733	-	-	-	-	132,733
Transportation/vehicle shop reserve	76,053	-	-	-	-	76,053
MMRC advertising sponsorship	40,483	-	-	-	-	40,483
RHS barrier removal	23,918	-	-	-	-	23,918
Special reserve	1,252,573	-	-	-	-	1,252,573
Deferred maintenance	199,398	-	-	-	-	199,398
Total assigned	7,125,044	-	-	-	-	7,125,044
Unassigned						
Reserve for economic uncertainties	3,332,945	-	-	-	-	3,332,945
Remaining unassigned	5,548,873	-	-	-	-	5,548,873
Total unassigned	8,881,818	-	-	-	-	8,881,818
<b>Total</b>	<b>\$ 17,928,445</b>	<b>\$ 39,015,881</b>	<b>\$ 14,369,661</b>	<b>\$ 14,387,979</b>	<b>\$ 7,261,720</b>	<b>\$ 92,963,686</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, 2019**

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

**A. Plan Description**

The District administers a single-employer defined benefit other postemployment plan (OPEB) that provides medical, dental, and vision insurance benefits to eligible retirees. The details of the plan are outlined below.

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 portion of the second-tier rate is 28% subsidized.

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. OPEB Plan Fiduciary Net Position**

Detailed information about the Plan's fiduciary net position is available in the separately-issued the Plan Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by contacting the District.

**C. Benefits Provided**

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 one 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.

**D. Contributions**

The District has accumulated assets in the Futuris Public Entity Investment Trust that meets the criteria in paragraph 4 of GASB Statement 75. The District's contribution is currently based on a projected pay-as-you-go funding method, that is, benefits are payable when due. During the year ended June 30, 2019, the District contributed \$951,129 to the trust. Of these contributions, \$405,860 were used for current year benefits payments.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

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

**E. Plan Membership**

Membership of the Plan consisted of the following:

	<u>Number of participants</u>
Inactive employees receiving benefits	32
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	<u>770</u>
<b>Total number of participants**</b>	<b><u>802</u></b>

\*Information not provided

\*\*As of the July 1, 2018 valuation date

**F. Net OPEB Liability**

The components of the net OPEB liability of the District at June 30, 2019, were as follows:

Total OPEB liability	\$ 20,855,458
Plan fiduciary net position	<u>(2,370,651)</u>
<b>District's net OPEB liability</b>	<b><u>\$ 18,484,807</u></b>

Plan fiduciary net position as a percentage of total OPEB liability	11.37%
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**G. Investments**

**Investment Policy**

The Retirement Board of Authority is responsible for the selection and ongoing evaluation of investments and/or investment managers and has delegated investment responsibilities to the Benefit Trust Company (“BTC”). The Retirement Board of Authority retains the responsibility to oversee the management of the Trust, including BTC’s or any successor trustee’s, requirement that investments and assets held within the trust continually adhere to the requirement of California Government Code.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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

**G. Investments (continued)**

**Concentrations**

The Plan held the following investments which represent 5 percent or more of the Plan’s fiduciary net position:

<u>Investment</u>	<u>Fair Value</u>	<u>Percentage of fiduciary net position</u>
Mutual Fund - Fixed Income		
Western Asset Core Plus Bond IS	\$ 194,401	8.20%
Prudential Funds Total Return Bond CL Q	194,208	8.19%
Blackrock Total Return - K	192,196	8.11%
Guggenheim Investments Investment Grade Bond Fund	185,807	7.84%
Guggenheim Investments Macro Opportunities Inst	180,208	7.60%
Mutual Fund - Domestic Equity		
Alger Funds Spectra Z	148,524	6.27%
All others	1,275,307	50.50%
<b>Total fiduciary net position</b>	<b>\$ 2,370,651</b>	

**Rate of Return**

For the year ended, June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 7.77 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**H. Actuarial Assumptions and Other Inputs**

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of July 1, 2018 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

**Economic assumptions:**

Salary increases	3.00%
Inflation rate	3.00%
Discount rate	4.65%
Investment rate of return	5.50%
Healthcare cost trend rates	6.00% for 2018; 5.50% for 2019; 5.25% for 2020; and 5.00% for 2021 and later years

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

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

**H. Actuarial Assumptions and Other Inputs (continued)**

**Non-economic assumptions:**

*Mortality:*

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

The actuarial assumptions used in the July 1, 2018 valuation were based on a review of plan experience during the period July 1, 2016 to June 30, 2018.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

<b>Asset Class</b>	<b>Percentage of Portfolio</b>	<b>Assumed Gross Return</b>
U.S. Fixed	50%	1.5%
Broad U.S. Equity	37%	4.4%
Global ex-U.S. Equity	8%	5.5%
Real Estate	5%	3.7%

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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

**I. Changes in Net OPEB Liability**

	<u>June 30, 2019</u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 1,056,018
Interest on total OPEB liability	1,067,283
Difference between expected and actual experience	(1,817,643)
Changes of assumptions	1,350,292
Benefits payments	<u>(405,860)</u>
Net change in total OPEB liability	1,250,090
Total OPEB liability - beginning	<u>19,605,368</u>
Total OPEB liability - ending (a)	<u>\$ 20,855,458</u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 951,129
Net investment income	153,889
Benefit payments	(405,860)
Administrative expenses	<u>(23,220)</u>
Net change in plan fiduciary net position	675,938
Plan fiduciary net position - beginning	<u>1,694,713</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,370,651</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 18,484,807</u>
Plan fiduciary net position as a percentage of the total OPEB liability	11.4%
Covered payroll	\$ 57,191,063
District's net OPEB liability as a percentage of covered payroll	32.32%

**J. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Santa Maria Joint Union High School District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.65 percent) or one percentage point higher (4.65 percent) than the current discount rate:

	<b>1% Decrease</b>	<b>Valuation Discount Rate</b>	<b>1% Increase</b>
	<b>(3.65%)</b>	<b>(4.65%)</b>	<b>(5.65%)</b>
Net OPEB liability	\$ 20,235,461	\$ 18,484,807	\$ 16,908,570

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

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

**K. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the net OPEB liability of the Santa Maria Joint Union High School District, as well as what the District’s net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	<b>1% Decrease (5.0% decreasing to 4.0%)</b>	<b>Healthcare Cost Trend Rate (6.0% decreasing to 5.0%)</b>	<b>1% Increase (7.0% decreasing to 6.0%)</b>
Net OPEB liability	\$ 16,401,032	\$ 18,484,807	\$ 20,896,251

**L. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2019, the District recognized net OPEB expense of \$1,681,565. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between projected and actual earnings on plan investments	\$ -	\$ 24,337
Differences between expected and actual experience	-	1,587,562
Changes in assumptions	1,179,369	1,650,276
	<u>\$ 1,179,369</u>	<u>\$ 3,262,175</u>

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

<b>Year Ended June 30,</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2020	\$ 170,923	\$ 502,969
2021	170,923	502,969
2022	170,923	502,969
2023	170,923	500,450
2024	170,923	496,255
Thereafter	324,754	756,563
	<u>\$ 1,179,369</u>	<u>\$ 3,262,175</u>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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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 reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<b>Net pension liability</b>	<b>Deferred outflows related to pensions</b>	<b>Deferred inflows related to pensions</b>	<b>Pension expense</b>
STRS Pension	\$ 63,548,595	\$ 22,406,652	\$ 7,840,906	\$ 8,133,984
PERS Pension	34,251,542	9,720,892	-	7,441,887
<b>Total</b>	<b>\$ 97,800,137</b>	<b>\$ 32,127,544</b>	<b>\$ 7,840,906</b>	<b>\$ 15,575,871</b>

**A. 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:

1. 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 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.
2. 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 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.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

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

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2019, respectively, 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 2019 was 16.28% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$6,461,580 for the year ended June 30, 2019.

**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 \$5,800,753 to CalSTRS, which included a supplemental contribution for fiscal year 2019 due to California Senate Bill No. 90.

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

At June 30, 2019, 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	\$ 63,548,595
State's proportionate share of the net pension liability associated with the District	36,384,721
Total	\$ 99,933,316

The net pension liability was measured as of June 30, 2018, 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, 2017 and rolling forward the total pension liability to June 30, 2018. 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, 2018, the District’s proportion was .069 percent, which was consistent with its proportion measured as of June 30, 2017.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

**A. 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, 2019, the District recognized pension expense of \$8,133,984. In addition, the District recognized pension expense and revenue of \$1,240,708 for support provided by the State. At June 30, 2019, 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	\$ -	\$ 2,447,022
Differences between expected and actual experience	197,062	923,078
Changes in assumptions	9,872,100	-
Changes in proportion and differences between District contributions and proportionate share of contributions	5,875,910	4,470,806
District contributions subsequent to the measurement date	6,461,580	-
	<u>\$ 22,406,652</u>	<u>\$ 7,840,906</u>

The \$6,461,580 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, 2020. 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 Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2020	\$ 3,797,340	\$ 843,539
2021	3,797,340	1,762,157
2022	3,797,341	3,431,390
2023	2,244,918	1,784,921
2024	2,244,918	9,450
2025	63,215	9,449
	<u>\$ 15,945,072</u>	<u>\$ 7,840,906</u>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

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

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

\* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period of July 1, 2010 to June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return*</b>
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
	100%	

\*20-year geometric average

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed 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 (7.10 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.

**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 7.10 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
District's proportionate share of the net pension liability	\$ 93,091,255	\$ 63,548,595	\$ 39,054,863

**Pension Plan Fiduciary Net Position**

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

**B. 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 7.0% 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 2019 was 18.062% of annual payroll. Contributions to the plan from the District were \$3,150,790 for the year ended June 30, 2019.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalPERS for K-12 education. These payments consisted of state general fund contributions of approximately \$1,161,278 to CalPERS for fiscal year 2019 due to California Senate Bill No. 90.

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

At June 30, 2019, the District reported a liability of \$34,251,542 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 and rolling forward the total pension liability to June 30, 2018. 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, 2018, the District's proportion was .128 percent, which was consistent with its proportion measured as of June 30, 2017.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

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

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

For the year ended June 30, 2019, the District recognized pension expense of \$7,441,887. At June 30, 2019, the District reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 280,940
Differences between expected and actual experience	2,245,406
Changes in assumptions	3,419,865
Changes in proportion and differences between District contributions and proportionate share of contributions	623,891
District contributions subsequent to the measurement date	3,150,790
	<u>\$ 9,720,892</u>

The \$3,150,790 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, 2020. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2020	\$ 4,080,979
2021	2,693,628
2022	(2,339)
2023	(202,166)
	<u>\$ 6,570,102</u>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

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

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

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 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

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 adjusted to account for assumed administrative expenses.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

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

**Actuarial Assumptions (continued)**

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.

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Real Return Years 1 – 10*</b>	<b>Real Return Years 11+**</b>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	100.0%		

\*An expected inflation of 2.00% used for this period.

\*\*An expected inflation of 2.92% used for this period.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 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.

**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 7.15 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	<b>1% Decrease (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>1% Increase (8.15%)</b>
District's proportionate share of the net pension liability	\$ 49,868,607	\$ 34,251,542	\$ 21,294,951

**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, 2019**

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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, 2019.

**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, 2019.

**C. Construction Commitments**

As of June 30, 2019, the District had commitments with respect to unfinished capital projects of \$18,627,243.

**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.

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.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

**A. 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 or inflows 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, 2019, the deferred amount on refunding was \$1,144,084.

**B. Pension Plans**

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found in Note 11. At June 30, 2019, total deferred outflows related to pensions was \$32,127,544 and total deferred inflows related to pensions was \$7,840,906.

**C. Other Postemployment Benefits (OPEB)**

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found in Note 10. At June 30, 2019, total deferred outflows related to OPEB was \$1,179,369 and total deferred inflows related to OPEB was \$3,262,175.

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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, 2019**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 91,467,935	\$ 91,734,714	\$ 92,097,269	\$ 362,555
Federal sources	4,320,352	5,720,494	4,836,219	(884,275)
Other state sources	7,929,977	12,259,505	12,092,857	(166,648)
Other local sources	3,593,517	5,255,055	6,179,654	924,599
<b>Total Revenues</b>	<b>107,311,781</b>	<b>114,969,768</b>	<b>115,205,999</b>	<b>236,231</b>
<b>EXPENDITURES</b>				
Certificated salaries	40,821,190	41,581,518	41,575,911	5,607
Classified salaries	16,823,796	16,895,250	16,758,454	136,796
Employee benefits	22,054,589	26,601,344	26,392,042	209,302
Books and supplies	6,674,702	11,196,849	6,344,663	4,852,186
Services and other operating expenditures	14,232,759	11,588,415	9,725,580	1,862,835
Capital outlay	3,389,137	5,225,266	2,878,615	2,346,651
Other outgo				
Excluding transfers of indirect costs	1,492,416	5,532,069	4,070,473	1,461,596
Transfers of indirect costs	(163,237)	(171,913)	(176,012)	4,099
<b>Total Expenditures</b>	<b>105,325,352</b>	<b>118,448,798</b>	<b>107,569,726</b>	<b>10,879,072</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,986,429</b>	<b>(3,479,030)</b>	<b>7,636,273</b>	<b>11,115,303</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(375,000)	(375,000)	(1,289,000)	(914,000)
<b>Net Financing Sources (Uses)</b>	<b>(375,000)</b>	<b>(375,000)</b>	<b>(1,289,000)</b>	<b>(914,000)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>1,611,429</b>	<b>(3,854,030)</b>	<b>6,347,273</b>	<b>10,201,303</b>
<b>Fund Balance - Beginning</b>	<b>10,129,201</b>	<b>10,129,201</b>	<b>10,129,201</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 11,740,630</b>	<b>\$ 6,275,171</b>	<b>\$ 16,476,474</b>	<b>\$ 10,201,303</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 reason:

- 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 the 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 CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Total OPEB Liability</b>		
Service Cost	\$ 1,056,018	\$ 1,078,418
Interest on total OPEB liability	1,067,283	806,275
Difference between expected and actual experience	(1,817,643)	-
Changes of assumptions	1,350,292	(2,182,624)
Benefits payments	<u>(405,860)</u>	<u>(502,206)</u>
Net change in total OPEB liability	1,250,090	(800,137)
Total OPEB liability - beginning	<u>19,605,368</u>	<u>20,405,505</u>
Total OPEB liability - ending (a)	<u>\$ 20,855,458</u>	<u>\$ 19,605,368</u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 951,129	\$ 1,028,751
Net investment income	153,889	80,600
Benefit payments	(405,860)	(502,206)
Administrative expenses	<u>(23,220)</u>	<u>(18,112)</u>
Net change in plan fiduciary net position	675,938	589,033
Plan fiduciary net position - beginning	<u>1,694,713</u>	<u>1,105,680</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,370,651</u>	<u>\$ 1,694,713</u>
 District's net OPEB liability - ending (a) - (b)	<u>\$ 18,484,807</u>	<u>\$ 17,910,655</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	11.4%	8.6%
 Covered payroll	\$ 57,191,063	\$ 54,629,260
 District's net OPEB liability as a percentage of covered payroll	32.3%	32.8%

See accompanying note to required supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB  
 FOR THE YEAR ENDED JUNE 30, 2019**

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	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Actuarially determined contribution	\$ 1,844,920	\$ 1,845,411
Contributions in relation to the actuarially determined contribution	<u>(951,129)</u>	<u>(1,028,751)</u>
Contribution deficiency (excess)	<u>\$ 893,791</u>	<u>\$ 816,660</u>
Covered payroll	\$ 57,191,063	\$ 54,629,260
Contributions as a percentage of covered payroll	1.66%	1.88%

See accompanying note to required supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
SCHEDULE OF INVESTMENT RETURNS - OPEB  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Annual money-weighted rate of return, net of investment expense	7.77%	5.51%

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, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.069%	0.069%	0.067%	0.078%	0.063%
District's proportionate share of the net pension liability	\$ 63,548,595	\$ 63,567,718	\$ 54,378,051	\$ 52,565,572	\$ 36,716,060
State's proportionate share of the net pension liability associated with the District	36,384,721	37,606,431	30,961,012	27,801,318	22,170,742
Total	<u>\$ 99,933,316</u>	<u>\$ 101,174,149</u>	<u>\$ 85,339,063</u>	<u>\$ 80,366,890</u>	<u>\$ 58,886,802</u>
District's covered payroll	\$ 37,683,716	\$ 36,539,110	\$ 35,730,669	\$ 33,410,822	\$ 27,984,727
District's proportionate share of the net pension liability as a percentage of its covered payroll	168.6%	174.0%	152.2%	157.3%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**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, 2019**

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	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.128%	0.128%	0.124%	0.122%	0.125%
District's proportionate share of the net pension liability	\$ 34,251,542	\$ 30,443,611	\$ 24,564,894	\$ 17,991,886	\$ 14,228,748
District's covered payroll	\$ 16,945,544	\$ 16,335,975	\$ 14,903,270	\$ 13,260,708	\$ 13,157,210
District's proportionate share of the net pension liability as a percentage of its covered payroll	202.1%	186.4%	164.8%	135.7%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 6,461,580	\$ 5,418,828	\$ 4,597,264	\$ 3,779,720	\$ 2,966,081
Contributions in relation to the contractually required contribution*	(6,461,580)	(5,418,828)	(4,597,264)	(3,779,720)	(2,966,081)
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered payroll	\$ 39,691,894	\$ 37,683,716	\$ 36,539,110	\$ 35,730,669	\$ 33,410,822
Contributions as a percentage of covered payroll	16.28%	14.38%	12.58%	10.58%	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, 2019**

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	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 3,150,790	\$ 2,632,366	\$ 2,267,700	\$ 1,766,873	\$ 1,592,152
Contributions in relation to the contractually required contribution*	(3,150,790)	(2,632,366)	(2,267,700)	(1,766,873)	(1,592,152)
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered payroll	\$ 17,442,935	\$ 16,945,544	\$ 16,335,975	\$ 14,903,270	\$ 13,260,708
Contributions as a percentage of covered payroll	18.06%	15.53%	13.88%	11.86%	12.01%

\*Amounts do not include on-behalf contributions

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2019**

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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 Changes in Net OPEB Liability and Related Ratios**

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the net OPEB liability, and the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.

**Schedule of District's Contributions for OPEB**

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

**Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuations for OPEB.

**Changes in Assumptions**

The discount rate used in the most recent valuation for OPEB was 4.65%, while the previous valuation used a discount rate of 5.50%. In addition, the assumed investment rate of return increased from 4.00% to 5.50%. There were no other changes in economic assumptions since the previous valuation for OPEB.

**Schedule of OPEB Investment Returns**

This schedule presents information on the annual money weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

**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 payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

**Changes in Assumptions**

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 1 – PURPOSE OF SCHEDULES (continued)**

**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 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 payroll.

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

For the year ended June 30, 2019, the District incurred no excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

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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, 2019**

<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>
<b>U. S. DEPARTMENT OF EDUCATION:</b>			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected [1]	84.010	14329	\$ 2,436,315
Title I, Part C, Migrant Education	84.011	14326	338,497
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	381,674
Title III			
Title III, English Learner Student Program	84.365	14346	53,497
Title III, Immigrant Education Program	84.365	15146	19,306
Subtotal Title III			<u>72,803</u>
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	7,362
IDEA Basic Local Assistance Entitlement, Part B, Sec 611 [1]	84.027	13379	1,280,311
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	224,321
<b>Total U. S. Department of Education</b>			<u>4,741,283</u>
<b>U. S. DEPARTMENT OF AGRICULTURE:</b>			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	750,138
National School Lunch Program	10.555	13391	1,968,904
USDA Commodities [2]	10.555	*	218,507
Summer Food Service Program for Children	10.559	13004	64,546
Subtotal Child Nutrition Cluster			<u>3,002,095</u>
Forest Reserve Funds	10.665	10044	406
<b>Total U. S. Department of Agriculture</b>			<u>3,002,501</u>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	91,372
<b>Total U. S. Department of Health &amp; Human Services</b>			<u>91,372</u>
<b>Total Federal Expenditures</b>			<u>\$ 7,835,156</u>

[1] - Major Program

[2] - In-Kind Contribution

\* - Pass-Through Entity Identifying Number not available or not applicable

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
 FOR THE YEAR ENDED JUNE 30, 2019**

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	<b>Second Period Report</b>	<b>Annual Report</b>
	<b>Certificate No. 7CDB038D</b>	<b>Certificate No. F9C52FCF</b>
SCHOOL DISTRICT		
Ninth through Twelfth		
Regular ADA	7,706.27	7,643.18
Extended Year Special Education	7.21	7.21
Special Education - Nonpublic Schools	2.40	1.45
Total Ninth through Twelfth	<u>7,715.88</u>	<u>7,651.84</u>
TOTAL SCHOOL DISTRICT	<u>7,715.88</u>	<u>7,651.84</u>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2019**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>2018-19 Actual Minutes</b>	<b>Number of Days</b>	<b>Status</b>
Grade 9	64,800	69,715	180	Complied
Grade 10	64,800	69,715	180	Complied
Grade 11	64,800	69,715	180	Complied
Grade 12	64,800	69,715	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, 2019**

	<b>2020 (Budget)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 112,287,716	\$ 115,205,999	\$ 98,692,422	\$ 95,422,261
Expenditures And Other Financing Uses	108,400,904	108,858,726	98,781,071	95,930,679
Net change in Fund Balance	\$ 3,886,812	\$ 6,347,273	\$ (88,649)	\$ (508,418)
Ending Fund Balance	\$ 20,363,286	\$ 16,476,474	\$ 10,129,201	\$ 10,217,849
Available Reserves*	\$ 18,465,068	\$ 8,881,818	\$ 5,040,542	\$ 4,451,445
Available Reserves As A Percentage Of Outgo	17.03%	8.16%	5.10%	4.64%
Long-term Liabilities	\$ 241,009,066	\$ 250,704,209	\$ 255,163,424	\$ 187,994,802
Average Daily Attendance At P-2	7,989	7,716	7,440	7,396

The General Fund balance has increased by \$6,258,625 over the past two years. The fiscal year 2019-20 budget projects an increase of \$3,886,812. 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 two of the past three years but anticipates incurring an operating surplus during the 2019-20 fiscal year. Total long-term obligations have increased by \$62,709,407 over the past two years.

Average daily attendance has increased by 320 ADA over the past two years. An increase of 273 ADA is anticipated during the 2019-20 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, 2019**

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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, 2019, annual financial and budget report fund balance	\$ 16,476,474	\$ 199,398	\$ 1,252,573
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Fund balance transfer (GASB 54)	1,451,971	(199,398)	(1,252,573)
Net adjustments and reclassifications	1,451,971	(199,398)	(1,252,573)
June 30, 2019, audited financial statement fund balance	<u>\$ 17,928,445</u>	<u>\$ -</u>	<u>\$ -</u>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2019**

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
 JUNE 30, 2019**

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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 2018-19 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. Dominick Palera	President	December 2022
Ms. Amy Lopez	Clerk	December 2020
Dr. Jack Garvin, Ed. D.	Member	December 2020
Ms. Carol Karamitsos	Member	December 2022
Ms. Diana Perez	Member	December 2022

**DISTRICT ADMINISTRATORS**

Dr. Mark Richardson  
*Superintendent*

Mr. John Davis  
*Assistant Superintendent Curriculum/Instruction*

Mr. Kevin Platt  
*Assistant Superintendent of Human Resources*

Ms. Yolanda Ortiz  
*Assistant Superintendent of Business*

Ms. Michelle Coffin  
*Director of Fiscal Services*

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 NOTES TO SUPPLEMENTARY INFORMATION  
 JUNE 30, 2019**

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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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, 2019 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2019.

	CFDA	
	<u>Number</u>	<u>Amount</u>
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 7,838,315
Medi-Cal Billing Option	93.778	<u>(3,159)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 7,835,156</u>

The District has not elected to use the 10 percent de minimis indirect cost rate.

**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, 2019, the District participated in the Longer Day incentive funding program. As of June 30, 2019, the District had met its target funding.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION, continued  
JUNE 30, 2019**

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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 page lists any 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. During the year ended June 30, 2019, there were no charter schools operating within the District's enrollment boundaries.

**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.

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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**

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, 2019, 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 November 26, 2019.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Santa Maria Joint Union High School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

*Christy White, Inc.*

San Diego, California  
November 26, 2019

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**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 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Santa Maria Joint Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Santa Maria Joint Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Christy White, Inc.*

San Diego, California  
November 26, 2019

**REPORT ON STATE COMPLIANCE**Independent Auditors' Report

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

**Report on State Compliance**

We have audited Santa Maria Joint Union High School District's compliance with the types of compliance requirements described in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810, 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, 2019, 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 *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Santa Maria Joint Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on State Compliance**

In our opinion, Santa Maria Joint Union High School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2019.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Finding #2019-001. Our opinion on state compliance is not modified with respect to these matters.

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:

<u>PROGRAM NAME</u>	<u>PROCEDURES PERFORMED</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	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
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
California Clean Energy Jobs Act	Yes

*(continued on the next page)*

**Procedures Performed (continued)**

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
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

*Christy White, Inc.*

San Diego, California  
November 26, 2019

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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, 2019**

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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 Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A</u>
<u>84.027</u>	<u>IDEA Basic Local Assistance Entitlement</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</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, 2019**

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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, 2019.*

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FIVE DIGIT CODE**  
50000

**AB 3627 FINDING TYPE**  
Federal Compliance

*There were no audit findings or questioned costs related to federal awards during the year ended June 30, 2019.*

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
 STATE AWARD FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2019**

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**FIVE DIGIT CODE**

10000  
 40000  
 42000  
 43000  
 60000  
 61000  
 62000  
 70000  
 71000  
 72000

**AB 3627 FINDING TYPE**

Attendance  
 State Compliance  
 Charter School Facilities Programs  
 Apprenticeship: Related and Supplemental Instruction  
 Miscellaneous  
 Classroom Teacher Salaries  
 Local Control Accountability Plan  
 Instructional Materials  
 Teacher Misassignments  
 School Accountability Report Card

**FINDING #2019-001 – 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. In addition, students classified as English learners (EL) must have supporting documentation to indicate that the student is appropriately classified as EL. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

**Condition:** Four (4) out of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as only FRPM and non-EL did not have appropriate supporting documentation on file to justify the FRPM designation. Auditors extrapolated the error rate across the respective population to determine a total adjustment of 28 unduplicated pupil counts.

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

**Cause:** CALPADS reporting was not revised subsequent to the completion of NSLP Income Verification for the 2018-19 school year and prior to the close of the Fall I Amendment Window.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

**FINDING #2019-001 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)  
(continued)**

**Questioned Costs:** \$15,796, as calculated below.

<b>UPP Audit Adjustment</b>		
1	Total Adjusted Enrollment from the UPP exhibit as of P-2	24,095
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	18,212
3	Audit Adjustment - Number of Enrollment	-
4	Audit Adjustment - Number of Unduplicated Pupil Count	(28)
5	Revised Adjusted Enrollment	24,095
6	Revised Adjusted Unduplicated Pupil Count	18,184
7	UPP calculated as of P-2	75.58%
8	Revised UPP for audit finding	75.47%
9	Charter Schools Only: Determinative School District Concentration Cap	-
10	Revised UPP adjusted for Concentration Cap	<b>75.47%</b>
<b>LCFF Target Supplemental Grant Funding Audit Adjustment</b>		<b>9-12</b>
9	Supplemental and Concentration Grant ADA	7,746.32
10	Adjusted Base Grant per ADA	\$ 9,269
11	Target Supplemental Grant Funding calculated as of P-2	\$ 10,853,385
12	Revised Target Supplemental Grant Funding for audit finding	\$ 10,837,589
13	Target Supplemental Grant Funding audit adjustment	<b>(\$15,796)</b>
<b>LCFF Target Concentration Grant Funding Audit Adjustment</b>		
14	Target Concentration Grant Funding calculated as of P-2	\$ -
15	Revised Target Concentration Grant Funding for audit finding	\$ -
16	Target Concentration Grant Funding audit adjustment	\$ -
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target</b>		
18	Total Target Supplemental and Concentration audit adjustment	<b>(\$15,796)</b>
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap</b>		
19	Statewide Gap Funding Rate as of P-2	1.0000000
20	Estimated Cost of Unduplicated Pupil Count audit adjustment	<b>(\$15,796)</b>

**Repeat Finding:** This is a repeat finding of Finding #2018-001.

**Recommendation:** We recommend that the District ensure that there are proper controls over FRPM and EL designations in the student information system in order to strengthen the accuracy of CALPADS reporting. This includes performing periodic reviews of system data for errors or irregularities.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINDING #2019-001 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)**  
**(continued)**

**Corrective Action Plan:** This finding relates to the required sampling of applications for verification of National School Lunch Program (NSLP) free or reduced meals and English Language Acquisition Status (ELAS) due to be completed each year by November 15. The students were misclassified in the District’s student information system (“AERIES”) and subsequently misreported in California Longitudinal Pupil Achievement Data System (CALPADS) at the Fall 1 amendment window. Moving forward, the Assistant Superintendent of Business Services will direct related staff who work in the NSLP program to close the deadline for receipt of income verification to October 30. Moving the deadline prior to October 31 cut off for student FRPM eligibility will allow students to be properly identified for the unduplicated pupil count. In addition, the Multilingual & Migrant Program staff will ensure all students are accurately classified with appropriate English Language (EL) status based on the required testing scores before the annual Census Day (the first Wednesday of October) and students who meet eligibility for reclassification will have their designations updated in order to maintain accurate reporting.

The District will continue to have collaborative meetings on this subject and implement a process for the subsequent years. Staff responsible for the verification process will keep a list of applicants selected, and verify changes in status after CALPADS submission. If discrepancies are identified, a list will be forwarded to staff responsible for CALPADS maintenance, and they will then make any needed changes in CALPADS data manually, prior to the Fall 1 amendment window.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

---

**FINDING #2018-001 – 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 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**Condition:** One (1) out 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 justify their designation. The student in question was selected for NSLP Income Verification and changed to “Paid” status as a result of nonresponse to verification requests. Upon further review of 100% of the NSLP Income Verification sample selected for 2017-18, we identified a total of 27 students that were incorrectly classified. The error was isolated to the income verification process, so extrapolation to the rest of the population was not necessary.

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

**Cause:** CALPADS reporting was not revised subsequent to the completion of NSLP Income Verification for the 2017-18 school year.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINDING #2018-001 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)**

**Questioned Costs:** \$6,891, as calculated below.

<b>UPP Audit Adjustment</b>		
1	Total Adjusted Enrollment from the UPP exhibit as of P-2	23,834
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	17,875
3	Audit Adjustment - Number of Enrollment	-
4	Audit Adjustment - Number of Unduplicated Pupil Count	(27)
5	Revised Adjusted Enrollment	23,834
6	Revised Adjusted Unduplicated Pupil Count	17,848
7	UPP calculated as of P-2	75.00%
8	Revised UPP for audit finding	74.88%
9	Charter Schools Only: Determinative School District Concentration Cap	-
10	Revised UPP adjusted for Concentration Cap	<b>74.88%</b>
<b>LCFF Target Supplemental Grant Funding Audit Adjustment</b>		<b>9-12</b>
9	Supplemental and Concentration Grant ADA	7,475.51
10	Adjusted Base Grant per ADA	\$ 8,939
11	Target Supplemental Grant Funding calculated as of P-2	\$ 10,023,538
12	Revised Target Supplemental Grant Funding for audit finding	\$ 10,007,500
13	Target Supplemental Grant Funding audit adjustment	<b>(\$16,038)</b>
<b>LCFF Target Concentration Grant Funding Audit Adjustment</b>		
14	Target Concentration Grant Funding calculated as of P-2	\$ -
15	Revised Target Concentration Grant Funding for audit finding	\$ -
16	Target Concentration Grant Funding audit adjustment	\$ -
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target</b>		
18	Total Target Supplemental and Concentration audit adjustment	<b>(\$16,038)</b>
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap</b>		
19	Statewide Gap Funding Rate as of P-2	0.4296644
20	Estimated Cost of Unduplicated Pupil Count audit adjustment	<b>(\$6,891)</b>

**Recommendation:** We recommend that the District ensure that CALPADS reporting is revised following the completion of NSLP Income Verification before the close of the Fall I Amendment Window.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINDING #2018-001 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)**

**Corrective Action Plan:** This finding relates to the required sampling of applications for verification of National School Lunch Program (NSLP) free or reduced status due to be completed each year by November 15. The students were marked appropriately in the District’s POS system (“Titan”) but not subsequently revised in California Longitudinal Pupil Achievement Data System (CALPADS) prior to the Fall 1 amendment window. Moving forward, the Assistant Superintendent of Business Services will direct related staff who work in the NSLP program to close the deadline for receipt of income verification to October 30. Moving the deadline prior to October 31 cut off for student FRPM eligibility will allow students to be properly identified for the unduplicated pupil count.

The District has already had collaborative meetings on this subject and implemented a process for the subsequent years. Staff responsible for the verification process will keep a list of applicants selected, and verify changes in status after CALPADS submission. If discrepancies are identified, a list will be forwarded to staff responsible for CALPADS maintenance, and they will then make any needed changes in CALPADS data manually, prior to the Fall 1 amendment window.

**Current Status:** Not implemented. See Finding #2019-001.