

**SANTA MARIA JOINT UNION
HIGH SCHOOL DISTRICT**

AUDIT REPORT

JUNE 30, 2011



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

SANTA MARIA, CALIFORNIA

JUNE 30, 2011

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 2010-11 school year the District maintained three high schools and one continuation high school.

GOVERNING BOARD

Member	Office	Term Expires
Mr. Victor Tognazzini	President	2012
Dr. Jack Garvin	Clerk	2012
Dr. Dean Reece	Member	2014
Dr. Carol Karamitsos	Member	2014
Dr. Jerry Walsh	Member	2014

DISTRICT ADMINISTRATORS

Dr. Doug Kimberly
Superintendent

Dr. Kathy Frazier
Assistant Superintendent Curriculum/Instruction

Mr. Sergio Flores
Assistant Superintendent of Human Resources

Ms. Diane Bennett
Assistant Superintendent of Business

Ms. Brenda Hoff
Director of Fiscal Services

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Santa Maria Joint Union High School District
Santa Maria, California

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Santa Maria Joint Union High School District's management. 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; and *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010 – 11*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the Santa Maria Joint Union High School District, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011 on our consideration of the Santa Maria Joint Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

SAN DIEGO

RANCHO CUCAMONGA

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The required supplementary information, such as management's discussion and analysis on pages 3 through 10, the budgetary comparison information on page 48, and the schedule of funding progress on page 49 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Santa Maria Joint Union High School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chintalata Accountancy Corporation

San Diego, California

December 5, 2011

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

INTRODUCTION

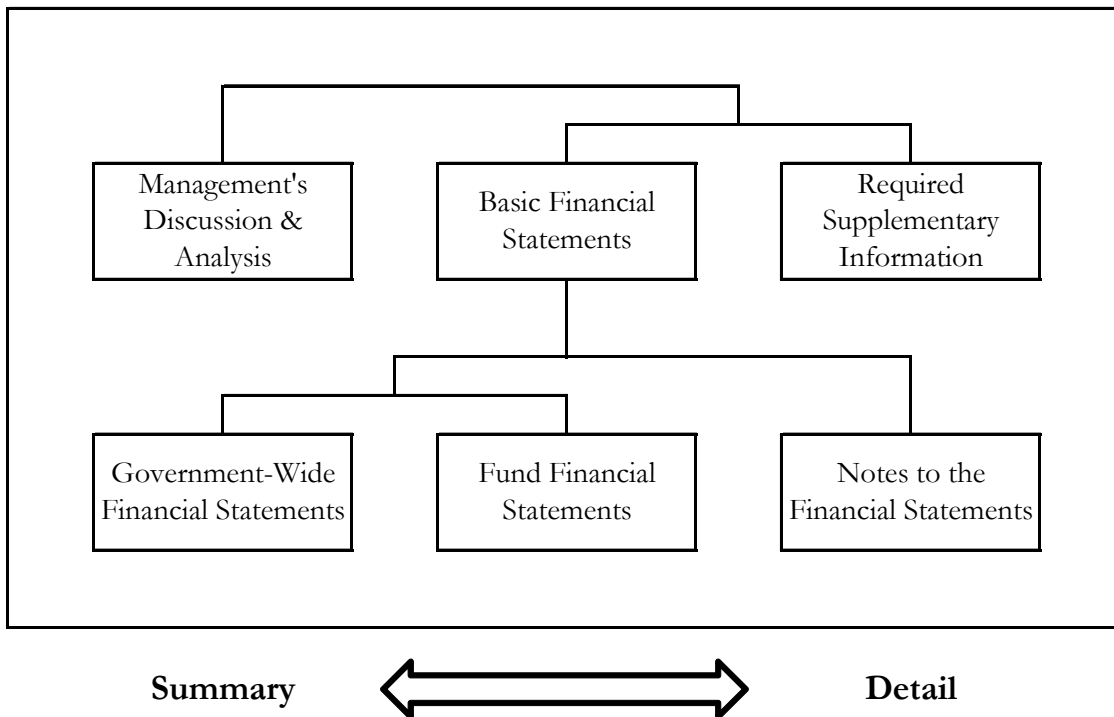
Our discussion and analysis of Santa Maria Joint Union High School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets were \$84.3 million at June 30, 2011. This was a decrease of \$0.1 million over the prior year.
- Overall revenues increased by 9% to a total of \$72.9 million.
- The total cost of basic programs for governmental activities was \$73.0 million. Because a portion of these costs were paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was \$57.4 million.
- Outstanding long-term debt decreased by \$.4 million or .5%.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
JUNE 30, 2011

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 assets 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 assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets 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. Revenue limit funding and federal and state grants finance most of these activities.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
JUNE 30, 2011

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The District's combined net assets were \$84.3 million at June 30, 2011, as reflected in Table A-1 below.

Table A-1
Santa Maria Joint Union High School District's Net Assets

	Governmental Activities		Total Percentage Change
	2010	2011	2010-11
Current assets	\$ 47,079,207	\$ 46,914,646	0%
Noncurrent assets	112,134,245	113,820,359	2%
Total assets	159,213,452	160,735,005	1%
Current liabilities	5,822,959	2,673,850	-54%
Noncurrent liabilities	69,023,121	73,806,019	7%
Total liabilities	74,846,080	76,479,869	2%
Total net assets	\$ 84,367,372	\$ 84,255,136	0%

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
JUNE 30, 2011

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

Changes in Net Assets

As shown in Table A-2 below, the District's total revenues were \$72.9 million. The majority of the revenue comes from federal and state aid unrestricted and property taxes (77%). Operating and capital grants for specific programs accounted for another 20% of total revenues. Miscellaneous local sources and charges from services accounted for the remaining 3%.

The total cost of all programs and services was \$73.0 million. The District's expenses are predominately related to educating and caring for students (62%). Pupil Services (including transportation and food) account for 12% of expenses. Administrative activities accounted for just 4% of total costs. Plant services, which represent the facilities maintenance and operations costs, account for 11% of all costs. The remaining expenses were for ancillary services, community services, and other outgo (11%).

Table A-2
Changes in Santa Maria Joint Union High School District's Net Assets

	Governmental Activities		Total Percentage Change
	2010	2011	2010-11
Revenues:			
<i>Program revenues</i>			
Charges for services	\$ 1,276,176	\$ 1,251,569	-2%
Operating grants and contributions	12,496,397	13,096,210	5%
Capital grants and contributions	-	1,286,396	0%
<i>General revenues</i>			
Property taxes	27,094,999	26,978,723	0%
Other revenues	25,812,369	30,281,595	17%
Total revenues	66,679,941	72,894,493	9%
Expenses:			
Instruction-related	42,491,620	45,162,995	6%
Student support services	8,683,527	8,508,954	-2%
Maintenance and operations	8,100,247	7,996,032	-1%
Administration	3,376,883	3,296,889	-2%
Other expenses	6,479,755	8,041,859	24%
Total expenses	69,132,032	73,006,729	6%
Change in net assets	\$ (2,452,091)	\$ (112,236)	-95%

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
JUNE 30, 2011

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

Changes in Net Assets (*continued*)

As reported in the Statement of Activities on page 12, the cost of all our governmental activities this year was \$73.0 million (refer to Table A-3). The amount that our taxpayers ultimately financed for these activities through taxes and state aid was \$55.8 million because the cost was paid by those who benefited from the programs (\$1.3 million), by other governments and organizations who subsidized certain programs with grants and contributions (\$14.5 million) or through other local sources (\$1.4 million).

Table A-3
Net Costs of Santa Maria Joint Union High School District's
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instructional services	\$ 45,162,995	\$ 35,906,957
Pupil support services	8,508,954	3,385,451
Maintenance and operations	7,996,032	7,348,356
Administration	3,296,889	2,735,014
Other expenses	8,041,859	7,996,776
Total expenses	\$ 73,006,729	\$ 57,372,554

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE DISTRICT'S 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 \$40.6 million, which is less than last year's ending fund balance of \$42.9 million. The District's General Fund had \$.6 million more in operating revenues than expenditures in 2010-2011.

CURRENT YEAR BUDGET 2010-11

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2010-11 the District had invested \$144.5 million in new capital assets. (More detailed information about capital assets can be found in the notes to the financial statements.)

**Table A-4
Santa Maria Joint Union High School District's Capital Assets**

	Governmental Activities		Total
	2010	2011	Percentage Change 2010-11
Land	\$ 6,825,717	\$ 6,825,717	0%
Site improvements	10,038,179	12,651,993	26%
Buildings	99,555,031	107,917,768	8%
Furniture and equipment	13,313,780	13,582,357	2%
Construction in progress	9,535,926	3,554,376	-63%
Total capital assets	\$ 139,268,633	\$ 144,532,211	4%

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
JUNE 30, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION, *continued*

Long-Term Debt

At year-end, the District had \$71.1 million in long-term debt, an decrease of 1% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

Table A-5
Santa Maria Joint Union High School District's Long-Term Debt

	Governmental Activities		Total
	2010	2011	Percentage
			Change
	2010	2011	2010-11
General obligation bonds	\$ 63,254,379	\$ 62,035,536	-2%
Certificates of participation	2,010,000	1,960,000	-2%
Capital leases	224,690	101,012	-55%
Compensated absence	371,845	360,967	-3%
Net OPEB obligations	5,642,293	6,632,219	18%
Total long-term debt	\$ 71,503,207	\$ 71,089,734	-1%

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

- At the state level, the budget situation continues to reflect challenging economic times. The 2011 State Budget was balanced on optimistic revenue projections and contains "trigger" language that would reduce school funding mid-year, should the state fail to meet those projections. In addition, one-time sources of federal funding from the American Recovery and Reinvestment Act and the Education Jobs Act are ending and to continue program services funded by these sources will require either new federal funding or a reallocation of district funds. State categorical program flexibility continues for the 2010-11 and 2011-12 fiscal years with no anticipated changes. School districts continue to be authorized to use funding from 42 Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed through 2012-13 and school agencies maintain the flexibility to shorten the school year until 2014-15.
- 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 2011-12 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (808) 922-4573.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 37,199,803
Accounts receivable	8,617,220
Inventory	131,179
Prepaid expenses	966,444
Total current assets	46,914,646
Capital assets, non-depreciable	10,380,093
Capital assets, depreciable, net	103,440,266
Total non-current assets	113,820,359
Total Assets	160,735,005
LIABILITIES	
Accrued liabilities	4,085,280
Deferred revenue	1,304,855
Long-term liabilities, current portion	68,415,884
Total current liabilities	73,806,019
Long-term liabilities, non-current portion	2,673,850
Total Liabilities	76,479,869
NET ASSETS	
Invested in capital assets, net of related debt	67,666,295
Restricted for	
Capital projects	6,515,828
Debt service	6,544,474
Educational programs	4,381,613
Unrestricted	(853,074)
Total Net Assets	\$ 84,255,136

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, 2011**

Function/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants		
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 36,650,709	\$ 44,436	\$ 5,786,527	\$ 1,286,396		\$ (29,533,350)
Instruction-related services						
Instructional supervision and administration	1,628,575	5,854	854,028	-		(768,693)
Instructional library, media, and technology	1,792,216	-	210,268	-		(1,581,948)
School site administration	5,091,495	198	1,068,331	-		(4,022,966)
Pupil services						
Home-to-school transportation	1,055,147	109,431	651,379	-		(294,337)
Food services	2,568,559	642,603	1,979,014	-		53,058
All other pupil services	4,885,248	2,336	1,738,740	-		(3,144,172)
General administration						
Centralized data processing	230,154	-	1,028	-		(229,126)
All other general administration	3,066,735	36,482	524,365	-		(2,505,888)
Plant services	7,996,032	408,676	239,000	-		(7,348,356)
Ancillary services	1,368,813	1,553	43,530	-		(1,323,730)
Community services	995	-	-	-		(995)
Interest on long-term debt	2,773,699	-	-	-		(2,773,699)
Transfer to other agencies	91,387	-	-	-		(91,387)
Depreciation (unallocated)	3,806,965	-	-	-		(3,806,965)
Total Governmental Activities	\$ 73,006,729	\$ 1,251,569	\$ 13,096,210	\$ 1,286,396		(57,372,554)
General revenues						
Taxes and subventions						
						22,107,861
						4,808,985
						61,877
						28,855,247
						278,133
						10,572
						1,137,643
						57,260,318
CHANGE IN NET ASSETS						
						(112,236)
						84,367,372
						\$ 84,255,136

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 8,128,211	\$ 14,342,380	\$ 6,532,637	\$ 7,276,103	\$ 36,279,331
Accounts receivable	8,242,830	28,630	11,837	333,923	8,617,220
Due from other funds	148,513	-	-	77,693	226,206
Stores inventory	117,520	-	-	13,659	131,179
Prepaid expenditures	9,271	-	-	-	9,271
Total Assets	\$ 16,646,345	\$ 14,371,010	\$ 6,544,474	\$ 7,701,378	\$ 45,263,207
LIABILITIES					
Accrued liabilities	\$ 1,708,655	\$ 1,264,387	\$ -	\$ 131,645	\$ 3,104,687
Due to other funds	48,526	-	-	172,926	221,452
Deferred revenue	1,304,855	-	-	-	1,304,855
Total Liabilities	3,062,036	1,264,387	-	304,571	4,630,994
FUND BALANCES					
Nonspendable	141,791	-	-	-	141,791
Restricted					
Educational programs	3,500,634	-	-	880,979	4,381,613
Capital projects	-	13,106,623	-	6,515,828	19,622,451
Debt service	-	-	6,544,474	-	6,544,474
Assigned	2,462,250	-	-	-	2,462,250
Unassigned	7,479,634	-	-	-	7,479,634
Total Fund Balances	13,584,309	13,106,623	6,544,474	7,396,807	40,632,213
Total Liabilities and Fund Balances	\$ 16,646,345	\$ 14,371,010	\$ 6,544,474	\$ 7,701,378	\$ 45,263,207

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 ASSETS
JUNE 30, 2011**

Total Fund Balance - Governmental Funds \$ 40,632,213

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

Capital assets:

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

Capital assets	\$ 144,532,212	
Accumulated depreciation	30,711,853	113,820,359

Unamortized costs:

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the governmental-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in net long-term debt on the statement of net assets are:

957,173

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 unamortized interest owing at the end of the period was:

(980,593)

Long-term liabilities:

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

General obligation bonds payable	\$ 62,035,536	
Net OPEB obligation	6,632,219	
Compensated absences	360,967	
Certificates of participation payable	1,960,000	
Capital leases payable	101,012	(71,089,734)

Internal service funds:

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

915,718

Total Net Assets - Governmental Activities \$ 84,255,136

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 BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources	\$ 44,553,582	\$ -	\$ -	\$ -	\$ 44,553,582
Federal sources	6,258,244	-	-	1,954,473	8,212,717
Other state sources	10,739,889	-	61,956	1,458,234	12,260,079
Other local sources	1,598,867	61,811	4,766,326	1,441,112	7,868,116
Total Revenues	63,150,582	61,811	4,828,282	4,853,819	72,894,494
EXPENDITURES					
Current					
Instruction	36,037,032	-	-	-	36,037,032
Instruction-related services					
Instructional supervision and administration	1,604,408	-	-	-	1,604,408
Instructional library, media, and technology	1,823,132	-	-	-	1,823,132
School site administration	4,992,163	-	-	-	4,992,163
Pupil services					
Home-to-school transportation	1,362,762	-	-	-	1,362,762
Food services	4,834	-	-	2,571,774	2,576,608
All other pupil services	4,826,358	-	-	-	4,826,358
General administration					
Centralized data processing	229,046	-	-	-	229,046
All other general administration	2,868,350	-	-	189,627	3,057,977
Plant services	7,237,148	786,182	-	31,962	8,055,292
Facilities acquisition and maintenance	146,207	4,287,745	-	533,764	4,967,716
Ancillary services	1,396,099	-	-	-	1,396,099
Community services	995	-	-	-	995
Debt service					
Principal	53,107	-	1,103,404	120,571	1,277,082
Interest and other	16,546	-	2,880,792	24,311	2,921,649
Total Expenditures	62,598,187	5,073,927	3,984,196	3,472,009	75,128,319
Excess (Deficiency) of Revenues					
Over Expenditures	552,395	(5,012,116)	844,086	1,381,810	(2,233,825)
Other Financing Sources (Uses)					
Transfers in	231,280	1,286,396	-	-	1,517,676
Transfers out	-	-	-	(1,517,676)	(1,517,676)
Net Financing Sources (Uses)	231,280	1,286,396	-	(1,517,676)	-
NET CHANGE IN FUND BALANCE	783,675	(3,725,720)	844,086	(135,866)	(2,233,825)
Fund Balance - Beginning, Originally Stated	11,627,113	16,832,343	5,700,388	8,706,194	42,866,038
Fund Balance - Adjustments	1,173,521	-	-	(1,173,521)	-
Fund Balance - Beginning, As Restated	12,800,634	16,832,343	5,700,388	7,532,673	42,866,038
Fund Balance - Ending	\$ 13,584,309	\$ 13,106,623	\$ 6,544,474	\$ 7,396,807	\$ 40,632,213

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Governmental Funds	\$	(2,233,825)
<p>Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:</p>		
<p>Capital outlay:</p>		
<p style="padding-left: 20px;">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:</p>		
Expenditures for capital outlay:	5,493,078	
Depreciation expense:	(3,806,965)	1,686,113
<hr/>		
<p>Debt service:</p>		
<p style="padding-left: 20px;">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:</p>		
		1,277,082
<p>Debt issue costs:</p>		
<p style="padding-left: 20px;">In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:</p>		
Issue costs incurred during the period:	-	
Issue costs amortized for the period:	(60,715)	(60,715)
<hr/>		
<p>Unmatured interest on long-term debt:</p>		
<p style="padding-left: 20px;">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:</p>		
		3,351
<p>Compensated absences:</p>		
<p style="padding-left: 20px;">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:</p>		
		10,878
<p>Postemployment benefits other than pensions (OPEB):</p>		
<p style="padding-left: 20px;">In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:</p>		
		(989,927)
<p>Amortization of debt issue premium or discount:</p>		
<p style="padding-left: 20px;">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 as interest over the life of the debt. Amortization of premium or discount for the period is:</p>		
		113,930
<p>Internal Service Funds:</p>		
<p style="padding-left: 20px;">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:</p>		
		80,877
Change in net assets of Governmental Activities	\$	(112,236)

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
	<u>Self-Insurance</u>
ASSETS	
Cash and cash equivalents	\$ 920,472
Total Assets	920,472
LIABILITIES	
Due to other funds	4,754
Total Liabilities	4,754
NET ASSETS	
Unrestricted	915,718
Total Net Assets	\$ 915,718

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 FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
	<u>Self-Insurance</u>
OPERATING REVENUE	
Charges to other funds	\$ 791,727
Other local revenues	35,638
Total operating revenues	827,365
OPERATING EXPENSE	
Professional services	746,488
Total operating expenses	746,488
OPERATING GAIN/(LOSS)	80,877
CHANGE IN NET ASSETS	80,877
Net Assets - Beginning	834,841
Net Assets - Ending	\$ 915,718

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, 2011**

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
	<u>Self-Insurance</u>
Cash flows from operating activities	
Cash received from assessments made to other funds	\$ 829,029
Cash payments for payroll, insurance and operating costs	(743,398)
Net cash provided/(used) by operating activities	85,631
NET INCREASE/(DECREASE) IN CASH	85,631
CASH	
Beginning of year	834,841
End of year	\$ 920,472
Reconciliation of operating loss to cash used in operating activities	
Operating loss	\$ 80,877
Decrease in accounts receivable	1,664
Increase in due from other funds	3,090
Net cash used by operating activities	\$ 85,631

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2011

	ASB Agency Funds
	<hr/>
ASSETS	
Cash in county treasury	\$ 73,535
Cash in banks	759,211
Certificates of deposit	290,510
Total Assets	<hr/> \$ 1,123,256 <hr/>
LIABILITIES	
Due to other agencies/student groups	\$ 1,123,256
Total Liabilities	<hr/> \$ 1,123,256 <hr/>

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Santa Maria Joint Unified 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 Santa Maria Joint Union High School District (the "District") was organized under the laws of the State of California. The District operates under a locally elected five-member 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, boards, 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 Unit

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. Other Related Entities

Joint Powers Authority (JPA). The District is associated with three JPAs. These organizations do not meet the criteria for inclusion as a component unit of the District. Additional information is presented in note 13 to the financial statements. These organizations are:

- Self Insurance Program for Employees (SIFE)
- Self Insured Schools of California (SISC II)
- Santa Barbara County Schools Financing Authority

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

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

D. Basis of Presentation

Government-Wide Statements. The statement of net assets 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.

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental* 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 LEA, 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 LEA in a trustee or agency capacity for others that cannot be used to support the LEA's own programs.

Major Governmental Funds

General Fund. The general fund is the main operating fund of the LEA. 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 an LEA's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. An LEA may have only one general fund.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

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

D. Basis of Presentation (*continued*)

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 (Fund 21) are proceeds from the sale or lease-with-option-to-purchase of real property (Education Code Section 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (Education Code Section 41003).

Bond Interest and Redemption Fund. This fund is used for the repayment of bonds issued for an LEA (Education Code Sections 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund (Fund 21) of the LEA. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund (Fund 51) of the LEA. The county auditor maintains control over the LEA'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.

Non-Major Governmental 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 (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the LEA'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 LEA and the developer. Interest earned in the Capital Facilities Fund (Fund 25) is restricted to that fund (Government Code Section 66006).

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

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

D. Basis of Presentation (*continued*)

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.).

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 LEA 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 an LEA. 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).

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 LEA'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.

Fiduciary Funds (*continued*)

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).

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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.

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.

Net assets should be reported as restricted when constraints placed on net asset 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 assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

All governmental funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. All other revenue items are considered to be measurable and available only when the District receives cash. Revenue limits, property taxes, and grant awards are recorded the same as what is described for Government-Wide Statements. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues – Exchange and Non-Exchange Transactions

Revenue limits and other state apportionments are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. When the annual calculation of the revenue limit (Form K-12 Annual) is made, and the District's actual tax receipts as reported by the county auditor is subtracted, the result determines the annual state aid to which the LEA is entitled. If the difference between the calculated annual state aid and the state aid received on the second principal apportionment is positive a receivable is recorded, and if it is negative a payable is recorded.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

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

E. Basis of Accounting – Measurement Focus (*continued*)

Revenues – Exchange and Non-Exchange Transactions (*continued*)

The District recognizes property tax revenues actually received as reported on CDE's Principal Apportionment Tax Software, used by county offices of education and county auditors to report school district and county taxes. The District makes no accrual for property taxes receivable as of June 30.

The District receives grant awards that are "reimbursement type" or "expenditure driven." The eligibility requirements of these awards have not been met until the LEA has made the required expenditures of the grant within the time period specified by the grantor. Revenue is recognized in the period in which the qualifying expenditures are made. Cash received but unspent at the end of the fiscal period is booked as a liability, and revenue is reduced to the amount that has been expended.

The District also receives funds for which they have fulfilled specific eligibility requirements or have provided a particular service. Once the LEAs have provided these services, they have earned the revenue provided. Any unspent money may be carried to the next year to be expended for the same restricted purposes. Revenue is recognized in the period that the service is provided, and any carryover becomes a part of the LEA's ending fund balance.

Deferred Revenue

Deferred 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 deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the county treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2011, based on market process. The individual funds' portions of the pool's fair value are presented as "Cash in County." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund.

Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Cash in County is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Inventories and Prepaid Items

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. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure."

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 assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB 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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

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

F. Assets, Liabilities, and Net Assets (*continued*)

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 assets.

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 the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

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

However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Deferred Issuance Costs, Premiums, and Discounts

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

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.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

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

F. Assets, Liabilities, and Net Assets (*continued*)

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. These are the same restrictions used to determine restricted net assets as reported in the government-wide, proprietary fund, and fiduciary trust fund statements.

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

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

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

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2011

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

F. Assets, Liabilities, and Net Assets (*continued*)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 District has related debt outstanding as of June 30, 2011. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The district-wide financial statements report \$17.4 million of restricted net assets.

G. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

H. 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.

I. 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 been included as revenue and expenditures as required under generally accepted accounting principles.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Changes in Accounting Principle

For the fiscal year ended June 30, 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Summary of Deposits and Investments

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Total
Cash in county	\$ 35,741,377	\$ 787,634	\$ 73,535	\$ 36,602,546
Fair value adjustment to cash in county treasury	76,808	1,693	-	78,501
Cash in banks	282,818	131,145	759,211	1,173,174
Cash with fiscal agent	162,517	-	-	162,517
Revolving cash	15,000	-	-	15,000
Cash awaiting deposit	811	-	-	811
Certificates of deposit	-	-	290,510	290,510
Total	\$ 36,279,331	\$ 920,472	\$ 1,123,256	\$ 38,323,059

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 Santa Barbara County Investment Pool.

Investment in County Treasury – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 2 – DEPOSITS 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 examples of the investment types permitted in the investment policy:

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 pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Specific Identification

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

Investment Type:	Fair Value	Maturity
Cash in County Treasury	\$ 36,681,047	529 Days

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Santa Barbara County Investment Pool is rate at least at A by two of the three national rating agencies.

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 (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public 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, 2011, the District's bank balance of \$1,173,174 was insured.

NOTE 3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government					
Categorical aid	\$ 616,456	\$ -	\$ -	\$ 291,028	\$ 907,484
State Government					
Apportionment	5,367,082	-	-	-	5,367,082
Categorical aid	1,099,709	-	-	27,484	1,127,193
Lottery	516,542	-	-	-	516,542
Local Government					
Interest	27,404	28,630	11,837	13,733	81,604
Other Local Sources	615,637	-	-	1,678	617,315
Total	\$ 8,242,830	\$ 28,630	\$ 11,837	\$ 333,923	\$ 8,617,220

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 01, 2010	Additions	Deductions	Balance June 30, 2011
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 6,825,717	\$ -	\$ -	\$ 6,825,717
Construction in progress	9,535,926	4,287,745	10,269,295	3,554,376
<hr/>				
Total Capital Assets not Being				
Depreciated	16,361,643	4,287,745	10,269,295	10,380,093
<hr/>				
Capital assets being depreciated				
Land improvements	10,038,178	2,613,815	-	12,651,993
Buildings & improvements	99,555,032	8,362,736	-	107,917,768
Furniture & equipment	13,313,780	498,077	229,500	13,582,357
<hr/>				
Total Capital Assets Being				
Depreciated	122,906,990	11,474,628	229,500	134,152,118
<hr/>				
Less Accumulated Depreciation				
Land improvements	1,614,934	548,827	-	2,163,761
Buildings & improvements	15,452,022	2,084,134	-	17,536,156
Furniture & equipment	10,067,432	1,174,004	229,500	11,011,936
<hr/>				
Total Accumulated Depreciation	27,134,388	3,806,965	229,500	30,711,853
<hr/>				
Governmental Activities				
Capital Assets, net	\$ 112,134,245	\$ 11,955,408	\$ 10,269,295	\$ 113,820,358

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 5 – INTERFUND TRANSACTIONS

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

Due To Other Funds	Due From Other Funds		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 48,526	\$ 48,526
Non-Major Governmental Funds	143,759	29,167	172,926
Self-Insurance Fund	4,754	-	4,754
Total Due From Other Funds	\$ 148,513	\$ 77,693	\$ 226,206

General Fund due to Cafeteria Special Revenue Fund for catering invoices	\$	558
General Fund due to County School Facilities Fund for COPS trustee account activity		3,951
General Fund due to Special Reserve for Capital Outlay Fund for RDA 1290 passthrough revenues		44,017
Cafeteria Special Revenue due to General Fund for indirect costs and PERS reduction		123,659
Capital Facilities Fund due to County School Facilities Fund for COPS trustee account activity		29,167
Special Reserve Fund for Capital Outlay Projects Fund due to General Fund for capital facility projects		20,100
Self Insurance Fund due to General Fund for interest earnings		4,754
Total	\$	226,206

B. Operating Transfers

Interfund Transfers Out	Interfund Transfers In		
	General Fund	Building Fund	Total
Non-Major Governmental Funds	\$ 231,280	\$ 1,286,396	\$ 1,517,676
Total Interfund Transfers	\$ 231,280	\$ 1,286,396	\$ 1,517,676

Transfer from Special Reserve for Capital Outlay Fund to General Fund for capital facility projects	\$	211,180
Transfer from Special Reserve for Capital Outlay Fund to General Fund for APCD Bus Grant match		3,600
Transfer from Special Reserve for Capital Outlay Fund to General Fund for capital facility projects		16,500
Transfer from County School Facilities Fund to Building Fund for RHS 2-classroom matching state construction funds		1,286,396
Total	\$	1,517,676

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2011, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Total Governmental Activities
Payroll and benefits	\$ 932,019	\$ -	\$ -	\$ 932,019	\$ 932,019
Construction	1,999	1,264,387	14,858	1,281,244	1,281,244
Vendors payable	774,637	-	116,787	891,424	891,424
Unmatured interest	-	-	-	-	980,593
Total	\$ 1,708,655	\$ 1,264,387	\$ 131,645	\$ 3,104,687	\$ 4,085,280

NOTE 7 – DEFERRED REVENUE

The District periodically will receive grant money prior to making expenditures for that grant. The source of that grant money is listed below by fund. The deferred revenue totals at June 30, 2011, consist of the following:

	General Fund
Federal sources	\$ 1,304,855
Total	\$ 1,304,855

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the fiscal year ended June 30, 2011 is shown below.

	Balance July 01, 2010	Accretion/ Additions	Deductions	Balance June 30, 2011	Balance Due In One Year
Governmental Activities					
General Obligation (GO) Bonds	\$ 59,039,840	\$ -	\$ 1,103,404	\$ 57,936,436	\$ 1,173,214
Unamortized premium on long term debt	2,728,490	-	174,802	2,553,688	174,802
Deferred amount on refunding	(933,392)	-	(60,873)	(872,519)	(60,873)
Accrued interest on capital appreciation bonds	2,419,441	490,086	491,596	2,417,931	601,786
Certificates of Participation (COPs)	2,010,000	-	50,000	1,960,000	55,000
Capital leases	224,690	-	123,678	101,012	101,012
Compensated absences	371,845	451,828	462,706	360,967	-
Net OPEB obligations	5,642,293	1,480,387	490,461	6,632,219	628,909
Total	\$ 71,503,207	\$ 2,422,301	\$ 2,835,774	\$ 71,089,734	\$ 2,673,850

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds

The outstanding general obligation bonded debt of the District as of June 30, 2011 is as follows:

Issue Date	Interest Rate	Maturity Date	Amount of	Bonds	Issue During Year	Redeemed During Year	Bonds
			Original Issue	Outstanding June 30, 2010			Outstanding June 30, 2011
2001	4.0%-5.375%	2018	\$ 18,000,000	\$ 1,680,000	\$ -	\$ -	\$ 1,680,000
2003	2.0%-4.375%	2025	12,000,000	3,755,000	-	-	3,755,000
2005	2.0%-5.010%	2031	34,998,222	31,978,221	-	105,000	31,873,221
2006	4.0%-5.0%	2021	25,452,727	21,626,619	-	998,404	20,628,215
			<u>\$ 90,450,949</u>	<u>\$ 59,039,840</u>	<u>\$ -</u>	<u>\$ 1,103,404</u>	<u>\$ 57,936,436</u>

The annual requirements to amortize the 2001 general obligation bonds outstanding at June 30, 2011, are as follows:

Fiscal Year Year Ending June 30,	Principal	Interest	Total
2012	\$ -	\$ 90,300	\$ 90,300
2013	-	90,300	90,300
2014	-	90,300	90,300
2015	-	90,300	90,300
2016	-	90,300	90,300
2017-18	1,680,000	96,832	1,776,832
	<u>\$ 1,680,000</u>	<u>\$ 548,332</u>	<u>\$ 2,228,332</u>

The annual requirements to amortize the 2003 general obligation bonds outstanding at June 30, 2011, are as follows:

Fiscal Year Year Ending June 30,	Principal	Interest	Total
2012	\$ -	\$ 185,950	\$ 185,950
2013	-	185,950	185,950
2014	-	185,950	185,950
2015	-	185,950	185,950
2016	325,000	185,950	510,950
2017-21	1,230,000	761,350	1,991,350
2022-25	2,200,000	379,688	2,579,688
	<u>\$ 3,755,000</u>	<u>\$ 2,070,788</u>	<u>\$ 5,825,788</u>

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize the 2005 general obligation bonds outstanding at June 30, 2011, are as follows:

Fiscal Year Year Ending June 30,	Principal	Interest	Total
2012	\$ 235,000	\$ 1,120,266	\$ 1,355,266
2013	370,000	1,111,191	1,481,191
2014	520,000	1,097,516	1,617,516
2015	680,000	1,078,511	1,758,511
2016	850,000	1,050,631	1,900,631
2017-21	7,400,000	4,562,736	11,962,736
2022-26	14,170,000	2,463,909	16,633,909
2027-31	7,648,221	12,946,141	20,594,362
	<u>\$ 31,873,221</u>	<u>\$ 25,430,901</u>	<u>\$ 57,304,122</u>

The annual requirements to amortize the 2006 general obligation bonds outstanding at June 30, 2010, are as follows:

Fiscal Year Year Ending June 30,	Principal	Interest	Total
2012	\$ 938,215	\$ 1,586,286	\$ 2,524,501
2013	1,630,000	943,750	2,573,750
2014	1,750,000	859,250	2,609,250
2015	1,935,000	767,125	2,702,125
2016	2,090,000	666,500	2,756,500
2017-21	12,285,000	1,665,125	13,950,125
	<u>\$ 20,628,215</u>	<u>\$ 6,488,036</u>	<u>\$ 27,116,251</u>

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2011

NOTE 8 – LONG-TERM DEBT (*continued*)

B. Capital Leases

The District leases vehicles and re-locatable buildings under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Fiscal Year Year Ending June 30,	Payment
2012	\$ 100,159
<hr/>	
Less amount representing interest	(147)
Principal	\$ 100,012

C. Certificates of Participation

The annual requirements to amortize the certificates of participation outstanding at June 30, 2011 are as follows:

Fiscal Year Year Ending June 30,	Payment
2012	\$ 55,000
2013	55,000
2014	60,000
2015	60,000
2016	65,000
2017-21	365,000
2021-25	460,000
2026-30	575,000
2031-33	265,000
	<hr/>
	\$ 1,960,000

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 9 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Stores inventory	117,520	-	-	-	117,520
Prepaid expenditures(expenses)	9,271	-	-	-	9,271
Restricted					
Educational programs	3,500,634	-	-	880,979	4,381,613
Capital projects	-	13,106,623	-	6,515,828	19,622,451
Debt service	-	-	6,544,474	-	6,544,474
Assigned					
General Fund	987,596	-	-	-	987,596
Deferred Maintenance Fund	295,428	-	-	-	295,428
Special Reserve Fund for Other Than Capital Outlay	1,179,226	-	-	-	1,179,226
Unassigned					
Reserve for economic uncertainties	1,851,007	-	-	-	1,851,007
Unassigned	5,628,627	-	-	-	5,628,627
Total	\$ 13,584,309	\$ 13,106,623	\$ 6,544,474	\$ 7,396,807	\$ 40,632,213

NOTE 10 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

Plan Descriptions and Contribution Information

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	57
Active plan members	634
Total*	<u>711</u>
Number of participating employers	1

* As of July 1, 2010 actuarial valuation

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 10 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS
(OPEB) (continued)

Plan Descriptions and Contribution Information (continued)

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 CVT retiree-only rates are designed to be non-subsidized, but the spouse's portion of the second tier rate is 28% subsidized.

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

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

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 CVT Plan 10. 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.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$	1,786,361
Interest on net OPEB obligation		282,116
Adjustment to annual required contribution		(367,039)
Annual OPEB cost (expense)		1,701,438
Contributions made		711,512
Increase in net OPEB obligation		989,926
Net OPEB obligation, beginning of the year		5,642,293
Net OPEB obligation, end of the year	\$	6,632,219

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 10 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS
(OPEB) (continued)

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010-11 are as follows:

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2009	\$ 1,598,806	32%	\$ 4,570,676
2010	\$ 1,582,379	32%	\$ 5,642,294
2011	\$ 1,701,437	42%	\$ 6,632,220

Funded Status and Funding Progress – OPEB Plans

As of July 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability (AAL) for benefits was \$12.4 million and the unfunded actuarial accrued liability (UAAL) was \$12.4 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 10 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS
(OPEB) (continued)

Actuarial Methods and Assumptions (continued)

Additional information as of the latest actuarial valuation follows:

Valuation Date	7/1/2010
Actuarial Cost Method	Projected Unit Cost
Amortization Method	Straight-Line
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Discount rate	5.0%
Long-term healthcare cost trend rates:	
Medical/Rx	8.0%
Dental & Vision	4.0%

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

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).

A. CalSTRS

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary 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 2011 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2010-11	\$ 2,304,314	100%
2009-10	\$ 2,295,365	100%
2008-09	\$ 2,277,120	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,191,819 to CalSTRS (4.267% of salaries subject to CalSTRS in 2010-11).

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2011

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (*continued*)

B. CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary, 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 the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011 was 10.707% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2010-11	\$ 1,308,467	100%
2009-10	\$ 1,192,998	100%
2008-09	\$ 1,166,677	100%

C. Social Security

As established by federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

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, 2011.

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, 2011.

C. Construction Commitments

As of June 30, 2011, the District had commitments with respect to the unfinished capital projects of approximately \$1,050,138 to be paid.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

- A. 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. The District's pro rata share of retained earnings as of June 30, 2009, the most recent information available, is \$2,648,906. In the event SIPE is terminated, the District would be liable for its proportionate share of all unpaid claims.

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES (continued)

B. 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.

C. 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 five members: The District, Goleta Union School District, Hope Elementary School District, Santa Barbara Elementary School District and Santa Barbara High School District. The Authority is governed by a board comprised of the chief business officer of each member.

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

NOTE 14 – PRIOR PERIOD RESTATEMENTS

The prior period adjustments of fund balances and net assets consist of the following:

	General Fund	Non-Major Governmental Funds
FUND BALANCE		
Fund Balance - June 30, 2010, as originally stated	\$ 11,627,113	\$ 8,706,194
Change in fund type classification per implementation of GASB Statement No. 54	1,173,521	(1,173,521)
Fund Balance - June 30, 2010, as restated	\$ 12,800,634	\$ 7,532,673

**REQUIRED SUPPLEMENTARY
INFORMATION**

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive / (Negative) Final to Actual
REVENUES				
Revenue limit sources				
State aid	\$ 19,156,384	\$ 21,993,370	\$ 22,264,756	\$ 271,386
Local sources	22,266,034	22,330,653	22,114,491	(216,162)
Transfers	224,530	193,554	174,335	(19,219)
Federal sources	4,977,932	8,287,602	6,258,244	(2,029,358)
Other state sources	8,628,215	8,905,547	10,739,889	1,834,342
Other local sources	1,296,524	1,209,763	1,598,867	389,104
Total Revenues	56,549,619	62,920,489	63,150,582	230,093
EXPENDITURES				
Certificated salaries	27,046,534	28,510,188	28,924,790	(414,602)
Classified salaries	10,692,746	11,136,532	11,337,245	(200,713)
Employee benefits	11,388,444	11,591,614	12,703,888	(1,112,274)
Books and supplies	3,468,499	5,724,683	3,199,639	2,525,044
Services and other operating expenditures	5,930,302	6,676,697	5,836,040	840,657
Capital outlay	1,194,594	1,236,504	646,890	589,614
Other outgo				
Excluding transfers of indirect costs	66,995	57,173	58,022	(849)
Transfers of indirect costs	(114,335)	(114,335)	(108,327)	(6,008)
Total Expenditures	59,673,779	64,819,056	62,598,187	2,220,869
Excess (Deficiency) of Revenues				
Over Expenditures	(3,124,160)	(1,898,567)	552,395	2,450,962
Other Financing Sources (Uses):				
Transfers in	870,544	970,294	231,280	(739,014)
Transfers out	(352,222)	(402,097)	-	402,097
Net Financing Sources (Uses)	518,322	568,197	231,280	(336,917)
NET CHANGE IN FUND BALANCE	(2,605,838)	(1,330,370)	783,675	2,114,045
Fund Balance - Beginning, Originally Stated	11,627,113	11,627,113	11,627,113	-
Fund Balance - Adjustments	1,173,521	1,173,521	1,173,521	-
Fund Balance - Beginning, As Restated	12,800,634	12,800,634	12,800,634	-
Fund Balance - Ending	\$ 10,194,796	\$ 11,470,264	\$ 13,584,309	\$ 2,114,045

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) FUNDING PROGRESS AND
 EMPLOYER CONTRIBUTION
 FOR THE YEAR ENDED JUNE 30, 2011**

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2008	\$ -	\$ 11,089,739	\$ 11,089,739	0%	\$ 39,687,349	28%
7/1/2010	\$ -	\$ 12,464,084	\$ 12,464,084	0%	\$ 41,083,219	30%

**SUPPLEMENTARY
INFORMATION**

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A Cluster[1]			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 1,085,290
Title I, Part A, Program Improvement LEA Corrective Action	84.010	14955	100,000
ARRA - Title 1 - Part A	84.389	15005	163,960
Subtotal Title I, Part A Cluster			1,349,250
Title I, Migrant Education	84.011	14838	323,296
Title II, Part A, Teacher Quality	84.367A	14341	204,705
Title II, Part A, Administrator Training	84.367	14344	2,943
Educational Technology State Grants Cluster			
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	8,371
ARRA - Education Technology State Grants	84.386	15019	26,775
Education Technology State Grants Cluster			35,146
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	179,985
Title IV, Part A, Drug-Free Schools	84.186	14347	49,545
Education Jobs Fund[1]	84.410	25152	553,404
School Improvement Grant Cluster			
Title I - School Improvement Grants	84.377	15124	206,479
ARRA Title I - School Improvement Grants	84.388	15004	76,378
Subtotal School Improvement Cluster			282,857
Special Education Cluster[1]			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,074,308
ARRA - Basic Local Assistance Entitlement, Part B	84.391	15003	310,355
Subtotal Special Education Cluster			2,384,663
Vocational Programs			
ARRA - State Fiscal Stabilization Fund[1]	84.394	25008	526,456
ARRA - State Fiscal Stabilization Fund[1]	84.394	25008	526,456
Safe Schools - Healthy Students	84.184L	*	1,336,953
Total U. S. Department of Education			7,395,836
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	1,361,436
Needy School Breakfast Program	10.553	13526	485,751
Summer Food Service Program	10559	13004	5,823
USDA Commodities (non-cash assistance)	10565	13389	107,286
Subtotal Child Nutrition Cluster			1,960,296
Total U. S. Department of Agriculture			1,960,296
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	143,831
Total U. S. Department of Health & Human Services			143,831
Total Federal Expenditures			\$ 9,499,963

[1] - Major Program

* - PCS Number not available or not applicable

See accompanying note to supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2011**

	Second Period Report	Annual Report
SECONDARY		
Regular classes	6,579	6,520
Continuation education	285	280
Home and hospital	22	23
Special day class	344	341
Total Secondary	7,230	7,164
REPORTED BY COUNTY OFFICE		
County community schools	3	3
Special education	42	42
Total Reported by County Office	45	45
Average Daily Attendance Total	7,275	7,167

See accompanying note to supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2011**

Grade Level	1982 - 83 Actual Minutes	1982 - 83 Actual Minutes Reduced	1986 - 87 Minutes Requirement	1986 - 87 Minutes Requirement Reduced	2010-11 Actual Minutes	Number of Days	Status
Grade 9	56,980	55,397	64,800	63,000	64,660	178	Complied
Grade 10	56,980	55,397	64,800	63,000	64,660	178	Complied
Grade 11	56,980	55,397	64,800	63,000	64,660	178	Complied
Grade 12	56,980	55,397	64,800	63,000	64,660	178	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, 2011**

	2012 (Budget)	2011	2010	2009
GENERAL FUND:				
Revenues	\$ 59,531,265	\$ 63,150,582	\$ 58,170,108	\$ 65,422,477
Transfers in	898,443	231,280	290,918	895,506
Total	60,429,708	63,381,862	58,461,026	66,317,983
Expenditures	61,778,671	62,598,187	59,538,223	61,166,676
Other uses and transfers out	346,443	-	250,000	250,000
Total	62,125,114	62,598,187	59,788,223	61,416,676
INCREASE/(DECREASE)				
IN FUND BALANCE	\$ (1,695,406)	\$ 783,675	\$ (1,327,197)	\$ 4,901,307
ENDING FUND BALANCE**	\$ 11,888,903	\$ 13,584,309	\$ 11,627,113	\$ 12,954,310
AVAILABLE RESERVES*	\$ 6,052,805	\$ 7,479,634	\$ 6,690,344	\$ 3,766,619
AVAILABLE RESERVES AS A PERCENTAGE OF OUTGO	9.7%	11.9%	11.2%	6.1%
LONG-TERM DEBT	68,415,884	71,089,734	71,503,207	73,257,947
AVERAGE DAILY ATTENDANCE AT P-2	7,117	7,275	7,180	7,253

The General Fund balance has increased by \$629,999 over the past two years due to the implementation of GASB 54, which reclassified certain special revenue funds and increased General Fund balance by \$1,173,521. The fiscal year 2011-2012 budget projects a decrease of \$1,695,406 or 12%. 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 surpluses/deficits in one of the past three years and anticipates incurring an operating deficit during the 2011-2012 fiscal year. Total long term obligations have decreased by \$2,168,213 over the past two years.

Average daily attendance has increased by 21 ADA over the past two years. A decrease in ADA is anticipated during the 2011-12 fiscal years.

*Available reserves consist of all unassigned fund balance within the General Fund and the Reserve for Economic Uncertainty.

**The beginning fund balance as of July 1, 2011 was restated by \$1,173,521 as further described in Note 14 to the financial statements.

See accompanying note to supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Deferred Maintenance Fund	Special Reserve Other Than Capital Outlay Fund
FUND BALANCE			
Balance June 30, 2011, Unaudited Actuals	\$ 12,109,656	\$ 295,428	\$ 1,179,225
Increase in:			
Reclassification for financial statement presentation*	1,474,653	(295,428)	(1,179,225)
Audited financial statement	\$ 13,584,309	\$ -	\$ -

*This adjustment is to reclassify the Deferred Maintenance Fund and the Special Reserve Other than Capital Outlay Fund to the General Fund due to implementation of GASB Statement #54.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2011**

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2011**

NOTE 1 – PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2011 or federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2011.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 8,212,717
ARRA - State Fiscal Stabilization Fund	84.394	134,004
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	1,056,295
Medi-Cal Billing Option	93.778	91,124
Summer Food Service Program	10.559	5,823
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 9,499,963</u>

B. 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.

C. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2011

NOTE 1 – PURPOSE OF SCHEDULES (continued)

D. 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.

E. Schedule of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

F. Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

G. Local Education Agency Organization Structure

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

**OTHER INDEPENDENT
AUDITORS' REPORTS**



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

Board of Trustees
Santa Maria Joint Union High School District
Santa Maria, California

We have audited the financial statements of Santa Maria Joint Union High School District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 5, 2011. 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.

Internal Control over Financial Reporting

Management of Santa Maria Joint Union High School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Santa Maria Joint Union High School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over reporting, described in the accompanying Schedule of Audit Findings and Questioned Costs as findings #2011-1 and #2011-2 that we consider to be significant deficiencies in internal control over financial reporting. *A significant deficiency* is a deficiency, or 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.

Compliance and Other Matters

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

The Santa Maria Joint Union High School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Santa Maria Joint Union High School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chintalvi & Accountancy Corporation

San Diego, California

December 5, 2011



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Santa Maria Joint Union High School District
Santa Maria, California

Compliance

We have audited Santa Maria Joint Union High School District's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Santa Maria Joint Union High School District's management. Our responsibility is to express an opinion on Santa Maria Joint Union High School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Santa Maria Joint Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Santa Maria Joint Union High School District's compliance with those requirements.

In our opinion, Santa Maria Joint Union High School District complied, in all material respects, with the 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, 2011.

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 requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Santa Maria Joint Union High School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance 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, 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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses* as defined above. Santa Maria Joint Union High School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Santa Maria Joint Union High School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Christle White Accountancy Corporation

San Diego, California

December 5, 2011



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
 Santa Maria Joint Union High School District
 Santa Maria, California

We have audited Santa Maria Joint Union High School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations for the year ended June 30, 2011. Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Santa Maria Joint Union High School District's management. Our responsibility is to express an opinion on Santa Maria Joint Union High School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above 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. Our audit does not provide a legal determination on Santa Maria Joint Union High School District's compliance with the state laws and regulations referred to above.

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:

PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Not Applicable
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time for:		
School Districts	6	Yes
County offices of education	3	Not Applicable
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes

SAN DIEGO

RANCHO CUCAMONGA

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Class Size Reduction (including in charter schools):		
General requirements	7	Not Applicable
Option One	3	Not Applicable
Option Two	4	Not Applicable
Districts or charter schools with only one school serving K - 3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Not Applicable
After school	4	Not Applicable
Before school	5	Not Applicable
Contemporaneous Records of Attendance; for charter schools	1	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	3	Not Applicable

In our opinion, Santa Maria Joint Union High School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2011.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chint White Accountancy Corporation

San Diego, California
December 5, 2011

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>84.010, 84.389</u>	<u>Title I, Part A Cluster, including ARRA</u>
<u>84.027, 84.381, 84.392</u>	<u>IDEA Cluster, including ARRA</u>
<u>84.410</u>	<u>Education Jobs Fund</u>
<u>84.394</u>	<u>ARRA - State Fiscal Stabilization Fund</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

FIVE DIGIT CODE

20000

30000

60000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

Miscellaneous

Finding #2011-1: Student Body Funds (30000)

Criteria: Proper controls need to be in place and followed in order to decrease the risk of potential misappropriation of assets.

Condition: While testing student funds at Righetti High School, we found that four out of fifteen cash receipts tested were missing a tally sheet to reconcile items sold to cash collected and deposited. We also found that one out of fifteen deposits had a cash shortage adjustment which was not accounted for by District staff.

Cause: Possible lack of information communicated with the ASB bookkeeper on proper accounting procedures.

Effect: Potential for mistakes, fraudulent behavior or misuse of student funds due to lack of proper accounting procedures.

Recommendation: We recommend that the Righetti High School ASB implement a procedure to ensure that all cash receipts are adequately documented by maintaining sales logs or similar records detailing the sources, amounts, and dates of cash received, in addition to the documentation summarizing the bank deposit amount. We recommend that the District monitor the ASB's implementation of this internal control.

District Response: The District will periodically review Righetti High School ASB to ensure that they are properly documenting cash receipt transactions.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011

Finding #2011-2: Fixed Asset Tracking (20000)

Criteria: An annual fixed asset counts should be done yearly in order to ensure accurate accounting of fixed assets by reconciling the physical inventory count to the fixed asset inventory listing.

Condition: While auditing fixed assets we found that the District has not performed an equipment inventory count since June of 2002. Due to budget constraints the District was unable to bring in an outside consultant to perform a fixed asset inventory and implement procedures to maintain the fixed asset inventory.

Cause: Due to budget constraints, the District was unable to hire a third party to perform a fixed asset inventory.

Effect: Potential overstatement of fixed assets and possible misappropriation of assets.

Recommendation: We recommend that either the warehouse or an independent firm visit all sites as well as the District office and identify, bar code, and record all District assets valued at \$500 or more, ensuring that current equipment inventory records do not double count or omit District assets.

District Response: The District has purchased the scanning equipment necessary to reconcile the physical equipment to the inventory list. However, due to staff shortages and management restructuring, this project has not yet been completed. The District will make a concerted effort to complete the physical inventory of equipment and reconcile to the equipment inventory list by the end of the fiscal year.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no audit findings or questioned costs related to federal awards in 2010-11.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

FIVE DIGIT CODE

10000
40000
61000
70000
71000
72000

AB 3627 FINDING TYPE

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

There were no audit findings or questioned costs related to state awards in 2010-11.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Prior Year Audit Finding #2010-1: Santa Maria High School ASB (30000)

Finding: In our testing of cash receipts, we noted that two cash receipt transactions out of eight tested at Santa Maria High School were missing an items sold tally sheet to support amounts deposited. There is a concern that the cash receipts are not being turned in on a timely basis. Inventories are not being performed for items sold by athletics.

Recommendation: We recommend that the Santa Maria High School ASB implement a procedure to ensure that all cash receipts are adequately documented by maintaining sales logs or similar records detailing the sources, amounts, and dates of cash received, in addition to the documentation summarizing the bank deposit amount. We recommend that the District monitor the ASB's implementation of this internal control.

Current Status: Partially Implemented, See Finding #2011-1

Prior Year Audit Finding #2010-2: Fixed Asset Tracking (20000)

Finding: In the 2008-09 audit, it was determined that the District was not accurately tagging and tracking all fixed assets greater than \$500. It was also determined that all District assets cannot be identified and located, therefore the equipment inventory listing may be incomplete and out of date. An equipment inventory count was last performed in June 2002 and has not been updated since. Due to budget constraints in 2009-10, the District was unable to bring in an outside consultant to perform a fixed asset inventory and implement procedures to maintain the fixed asset inventory.

Recommendation: We recommend that either the warehouse or an independent firm visit all sites as well as the District office and identify, bar code, and record all District assets valued at \$500 or more, ensuring that current equipment inventory records do not double count or omit District assets.

Current Status: Not Implemented, See Finding #2011-2.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2011

Prior Year Audit Finding #2010-3: District Credit Cards (30000)

Finding: In our testing of credit card expenditures, we noted that two of eight items tested did not have adequate (itemized) supporting documentation on file. The items that did not have the supporting documentation on file were for lunch meetings and amounted to \$160.49 and \$65.84, respectively.

Recommendation: We recommend that the District implement a procedure to ensure that all credit card transactions are adequately supported by appropriate documentation (itemized receipt).

Current Status: Implemented

Prior Year Audit Finding #2010-4: Independent Study (10000)

Criteria: For attendance generated through independent study, all independent study written agreements need to contain the signatures of the pupil, pupil's parent, and a certificated employee affixed prior to the commencement of the independent study (Education Code Section 51747(c)(8)). Additionally, pupils can only receive credit for the maximum days possible during a given period.

Condition: We found that a total of one out of 15 independent study agreements tested had maximum possible attendance of 18 days and attendance system recorded attendance credit for 19 days, and a total of one out of 15 independent study agreements tested was dated after the start of the second semester master agreement and the date for the student's signature was missing.

Cause: District procedures were not followed to ensure that attendance reporting was accurate and to obtain all required elements of the independent study agreement on or before the independent study start date.

Effect: Overstatement of independent study attendance.

Questioned Costs: There are no questioned costs as the District has removed all unallowable ADA discovered as a result of the audit on its P-2 report. 12 attendance days were overstated as tested (0.14 ADA). Given a 2009-10 base revenue limit per ADA of \$7,345.51 the fiscal impact of the ADA overstatement would have been \$1,028.37, if the P-2 report had not been revised by the District.

Recommendations: The District should continue to monitor the procedures and policies over independent study through annual training.

Current Status: Implemented