# SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT

**AUDIT REPORT**
**JUNE 30, 2023**

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

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# FINANCIAL SECTION

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Independent Auditors' Report

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

**Report on the Audit of the Financial Statements**

***Opinions***

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, 2023, and the related notes to the financial statements, which collectively comprise the Santa Maria Joint Union High School District's basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Santa Maria Joint Union High School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Santa Maria Joint Union High School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Santa Maria Joint Union High School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Santa Maria Joint Union High School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in net OPEB liability and related ratios, schedule of investment returns for OPEB, schedules of proportionate share of net pension liability, and schedules of district contributions for pensions be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Santa Maria Joint Union High School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Santa Maria Joint Union High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Maria Joint Union High School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
October 30, 2023

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

### INTRODUCTION

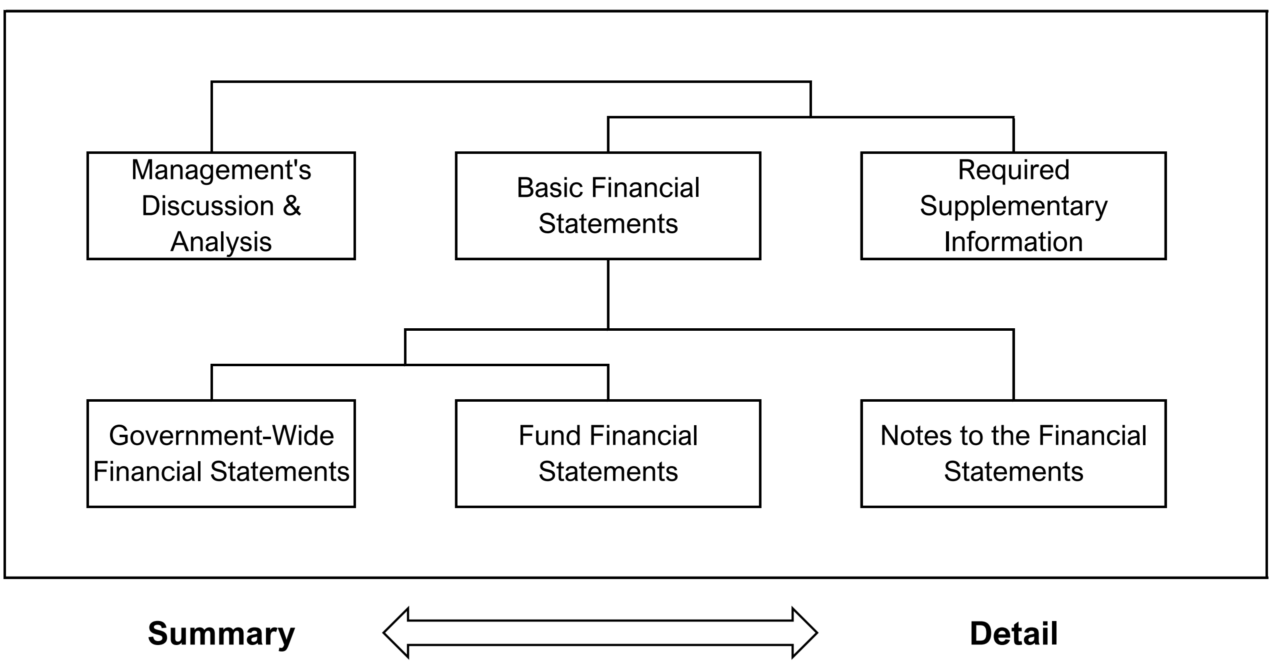
This discussion and analysis of Santa Maria Joint Union High School District (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. It should be read in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's net position was $169,680,318 at June 30, 2023. This was an increase of $56,244,910 from the prior year, after restatement.
- Overall revenues were $213,600,053 which exceeded expenses of $157,355,143.

### OVERVIEW OF FINANCIAL STATEMENTS

**Components of the Financial Section**



## OVERVIEW OF FINANCIAL STATEMENTS (continued)

### Components of the Financial Section (continued)

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

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

- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.

  - **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

  - **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

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

### Government-Wide Statements

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

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

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

## FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

### Net Position

The District's net position was $169,680,318 at June 30, 2023, as reflected in the table below. Of this amount, $(39,541,258) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

| | Governmental Activities | | |
|---|---|---|---|
| | 2023 | 2022 | Net Change |
| **ASSETS** | | | |
| Current and other assets | $ 182,323,199 | $ 171,347,997 | $ 10,975,202 |
| Capital assets | 275,431,447 | 247,226,992 | 28,204,455 |
| **Total Assets** | 457,754,646 | 418,574,989 | 39,179,657 |
| **DEFERRED OUTFLOWS OF RESOURCES** | 47,895,184 | 31,131,914 | 16,763,270 |
| **LIABILITIES** | | | |
| Current liabilities | 19,360,570 | 21,783,298 | (2,422,728) |
| Long-term liabilities | 303,423,366 | 264,418,497 | 39,004,869 |
| **Total Liabilities** | 322,783,936 | 286,201,795 | 36,582,141 |
| **DEFERRED INFLOWS OF RESOURCES** | 13,185,576 | 49,813,489 | (36,627,913) |
| **NET POSITION** | | | |
| Net investment in capital assets | 117,532,654 | 107,789,229 | 9,743,425 |
| Restricted | 91,688,922 | 67,119,404 | 24,569,518 |
| Unrestricted | (39,541,258) | (60,997,014) | 21,455,756 |
| **Total Net Position** | $ 169,680,318 | $ 113,911,619 | $ 55,768,699 |

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

### Changes in Net Position

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

| | Governmental Activities | | |
|---|---|---|---|
| | 2023 | 2022 | Net Change |
| **REVENUES** | | | |
| Program revenues | | | |
| Charges for services | $ 7,099,226 | $ 6,522,587 | $ 576,639 |
| Operating grants and contributions | 52,061,539 | 24,831,711 | 27,229,828 |
| Capital grants and contributions | 4,922,202 | 26,874,495 | (21,952,293) |
| General revenues | | | |
| Property taxes | 59,291,609 | 52,932,289 | 6,359,320 |
| Unrestricted federal and state aid | 88,564,866 | 70,475,961 | 18,088,905 |
| Other | 1,660,611 | 3,486,664 | (1,826,053) |
| **Total Revenues** | 213,600,053 | 185,123,707 | 28,476,346 |
| **EXPENSES** | | | |
| Instruction | 66,080,859 | 61,560,432 | 4,520,427 |
| Instruction-related services | 18,160,164 | 15,192,737 | 2,967,427 |
| Pupil services | 23,170,178 | 19,363,589 | 3,806,589 |
| General administration | 8,031,440 | 7,185,611 | 845,829 |
| Plant services | 18,843,367 | 15,647,872 | 3,195,495 |
| Ancillary and community services | 7,089,881 | 5,354,890 | 1,734,991 |
| Debt service | 5,519,018 | 5,797,450 | (278,432) |
| Other outgo | 3,175,166 | 3,407,344 | (232,178) |
| Depreciation | 7,285,070 | 6,745,193 | 539,877 |
| **Total Expenses** | 157,355,143 | 140,255,118 | 17,100,025 |
| **Change in net position** | 56,244,910 | 44,868,589 | 11,376,321 |
| **Net Position - Beginning, as Restated** | 113,435,408 | 69,043,030 | 44,392,378 |
| **Net Position - Ending** | $ 169,680,318 | $ 113,911,619 | $ 55,768,699 |

The cost of all our governmental activities this year was $157,355,143 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only $59,291,609 because the remaining portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

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

### Changes in Net Position (continued)

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

| | Net Cost of Services | |
|---|---|---|
| | **2023** | **2022** |
| Instruction | $ 41,317,613 | $ 23,991,687 |
| Instruction-related services | 2,113,149 | 10,757,527 |
| Pupil services | 9,717,091 | 10,024,352 |
| General administration | 6,259,766 | 6,075,575 |
| Plant services | 17,100,035 | 14,399,604 |
| Ancillary and community services | 3,248,788 | 2,551,846 |
| Debt service | 5,519,018 | 5,797,450 |
| Transfers to other agencies | 711,646 | 1,683,091 |
| Depreciation | 7,285,070 | 6,745,193 |
| **Total** | $ 93,272,176 | $ 82,026,325 |

## FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $168,262,889, which is more than this year's restated beginning fund balance of $155,292,766. The District's General Fund had $32,820,261 more in operating revenues than expenditures during the year ended June 30, 2023. The District's Building Fund had $23,657,390 less in operating revenues than expenditures during the year ended June 30, 2023. The District's County School Facilities Fund experienced a net increase in fund balance of $5,388,281 during the year ended June 30, 2023 primarily due to the receipt of School Facilities Program funding from the State.

## CURRENT YEAR BUDGET 2022-2023

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a periodic 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 ASSETS AND LONG-TERM LIABILITIES

### Capital Assets

By the end of 2022-2023, the District had invested $275,431,447 in capital assets, net of accumulated depreciation.

| | Governmental Activities | | |
|---|---|---|---|
| | 2023 | 2022 | Net Change |
| **CAPITAL ASSETS** | | | |
| Land | $ 12,293,183 | $ 12,293,183 | $ - |
| Construction in progress | 77,325,412 | 68,626,714 | 8,698,698 |
| Land improvements | 25,232,680 | 24,677,542 | 555,138 |
| Buildings & improvements | 212,218,354 | 189,643,758 | 22,574,596 |
| Furniture & equipment | 35,988,241 | 32,559,977 | 3,428,264 |
| Less: accumulated depreciation | (87,626,423) | (80,354,182) | (7,272,241) |
| **Total** | $ 275,431,447 | $ 247,446,992 | $ 27,984,455 |

### Long-Term Liabilities

At year-end, the District had $303,423,366 in long-term liabilities, an increase of 14.75% from last year. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

| | Governmental Activities | | |
|---|---|---|---|
| | 2023 | 2022 | Net Change |
| **LONG-TERM LIABILITIES** | | | |
| Total general obligation bonds | $ 182,847,288 | $ 186,768,033 | $ (3,920,745) |
| Total certificates of participation | 455,960 | 965,785 | (509,825) |
| Compensated absences | 588,800 | 772,069 | (183,269) |
| Net OPEB liability | 18,490,215 | 17,865,992 | 624,223 |
| Net pension liability | 105,595,508 | 63,228,203 | 42,367,305 |
| Less: current portion of long-term liabilities | (4,554,405) | (5,181,585) | 627,180 |
| **Total** | $ 303,423,366 | $ 264,418,497 | $ 39,004,869 |

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

In its June 2023 quarterly report, the UCLA Anderson Forecast stated the U.S. economy was not in a recession yet, but the forecast comes with a caution. Anti-inflation actions by the Federal Reserve could still trigger a near-term recession. The Federal Reserve has said that its actions will be dependent on data. If data shows that the labor market continues to remain robust and if another jobs report shows strong growth in payroll employment and inflation remains sticky, the Federal Reserve will likely err on the side of further tightening of monetary policy and thus, a mild recession later this year is the most likely. The Forecast anticipates that there will be a mild impact on the State of California's economy regardless of the Federal Reserve's policy actions. The California unemployment rate averages for 2023, 2024, and 2025 are expected to be 4.1%, 4.0% and 4.0%, respectively, and non-farm payroll jobs are expected to grow at rates of 2.0%, 1.3%, and 1.6%, during the same three years.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. The May 2023 Budget Revision includes a total Proposition 98 guarantee of $106.8 billion ($77.4 billion General Fund and $29.4 billion local property tax) down from the January 2023 Governor's Budget Proposition 98 guarantee of $108.8 billion ($79.6 billion General Fund and $29.2 billion local property tax). The Proposition 98 Guarantee continues to be in Test 1 for 2022-23 and 2023-24. At May Revision, the 2023-24 cost-of-living adjustment (COLA) is updated to 8.22 percent, the largest COLA in the history of LCFF.  Additionally, the May revise saw a reduction of $1.8 billion to the Arts, Music, and Instructional Materials Discretionary Block Grant and a $2.5 billion reduction of the Learning Recovery Emergency Block Grant.

The District participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2023. The amount of the liability is material to the financial position of the District. The CalSTRS projected employer contribution rate for 2023-24 is 19.10 percent. The CalPERS projected employer contribution rate for 2023-24 is 26.68 percent. The projected increased pension costs to school employers remain a significant fiscal factor.

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

All of these factors were considered in preparing the District's budget for the 2023-24 fiscal year.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**
**STATEMENT OF NET POSITION**
**JUNE 30, 2023**

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Cash and investments | $ 171,413,249 |
| Accounts receivable | 10,452,567 |
| Inventory | 342,680 |
| Prepaid expenses | 114,703 |
| Capital assets, not depreciated | 89,618,595 |
| Capital assets, net of accumulated depreciation | 185,812,852 |
| **Total Assets** | 457,754,646 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred outflows related to pensions | 43,810,393 |
| Deferred outflows related to OPEB | 1,637,176 |
| Deferred amount on refunding | 2,447,615 |
| **Total Deferred Outflows of Resources** | 47,895,184 |
| **LIABILITIES** | |
| Accrued liabilities | 12,960,293 |
| Unearned revenue | 1,845,872 |
| Long-term liabilities, current portion | 4,554,405 |
| Long-term liabilities, non-current portion | 303,423,366 |
| **Total Liabilities** | 322,783,936 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred inflows related to pensions | 8,302,502 |
| Deferred inflows related to OPEB | 4,883,074 |
| **Total Deferred Inflows of Resources** | 13,185,576 |
| **NET POSITION** | |
| Net investment in capital assets | 117,532,654 |
| Restricted: | |
| Capital projects | 42,185,903 |
| Debt service | 15,639,689 |
| Educational programs | 26,730,723 |
| Food service | 5,411,282 |
| Associated student body | 1,721,325 |
| Unrestricted | (39,541,258) |
| **Total Net Position** | $ 169,680,318 |

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, 2023

| Function/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expenses) Revenues and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|---|
| **GOVERNMENTAL ACTIVITIES** | | | | | |
| Instruction | $ 66,080,859 | $ 2,365,086 | $ 17,475,958 | $ 4,922,202 | $ (41,317,613) |
| Instruction-related services | | | | | |
| Instructional supervision and administration | 6,413,048 | 47,613 | 14,762,131 | - | 8,396,696 |
| Instructional library, media, and technology | 4,217,028 | - | 288,733 | - | (3,928,295) |
| School site administration | 7,530,088 | 1,066 | 947,472 | - | (6,581,550) |
| Pupil services | | | | | |
| Home-to-school transportation | 2,825,617 | - | 94,053 | - | (2,731,564) |
| Food services | 5,981,070 | 15,594 | 8,229,839 | - | 2,264,363 |
| All other pupil services | 14,363,491 | 68,369 | 5,045,232 | - | (9,249,890) |
| General administration | | | | | |
| Centralized data processing | 305,576 | - | - | - | (305,576) |
| All other general administration | 7,725,864 | 61,286 | 1,710,388 | - | (5,954,190) |
| Plant services | 18,843,367 | 18,702 | 1,724,630 | - | (17,100,035) |
| Ancillary services | 7,089,881 | 3,768,492 | 72,601 | - | (3,248,788) |
| Interest on long-term debt | 5,519,018 | - | - | - | (5,519,018) |
| Other outgo | 3,175,166 | 753,018 | 1,710,502 | - | (711,646) |
| Depreciation (unallocated) | 7,285,070 | - | - | - | (7,285,070) |
| **Total Governmental Activities** | $ 157,355,143 | $ 7,099,226 | $ 52,061,539 | $ 4,922,202 | (93,272,176) |
| General revenues | | | | | |
| Taxes and subventions | | | | | |
| Property taxes, levied for general purposes | | | | | 48,918,072 |
| Property taxes, levied for debt service | | | | | 10,255,897 |
| Property taxes, levied for other specific purposes | | | | | 117,640 |
| Federal and state aid not restricted for specific purposes | | | | | 88,564,866 |
| Interest and investment earnings | | | | | 81,084 |
| Interagency revenues | | | | | 9,551 |
| Miscellaneous | | | | | 1,569,976 |
| **Subtotal, General Revenue** | | | | | 149,517,086 |
| **CHANGE IN NET POSITION** | | | | | 56,244,910 |
| **Net Position - Beginning, as Restated** | | | | | 113,435,408 |
| **Net Position - Ending** | | | | | $ 169,680,318 |

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**
**GOVERNMENTAL FUNDS**
**BALANCE SHEET**
**JUNE 30, 2023**

| | General Fund | Building Fund | County School Facilities Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and investments | $ 81,778,610 | $ 15,723,344 | $ 40,691,448 | $ 31,976,084 | $ 170,169,486 |
| Accounts receivable | 8,845,994 | 107,654 | 224,427 | 1,268,337 | 10,446,412 |
| Due from other funds | 25,473 | - | - | 58,820 | 84,293 |
| Stores inventory | 291,616 | - | - | 51,064 | 342,680 |
| Prepaid expenditures | 114,703 | - | - | - | 114,703 |
| **Total Assets** | $ 91,056,396 | $ 15,830,998 | $ 40,915,875 | $ 33,354,305 | $ 181,157,574 |
| **LIABILITIES** | | | | | |
| Accrued liabilities | $ 8,590,855 | $ 1,525,051 | $ - | $ 848,614 | $ 10,964,520 |
| Due to other funds | 58,820 | - | - | 25,473 | 84,293 |
| Unearned revenue | 1,845,872 | - | - | - | 1,845,872 |
| **Total Liabilities** | 10,495,547 | 1,525,051 | - | 874,087 | 12,894,685 |
| **FUND BALANCES** | | | | | |
| Nonspendable | 420,620 | - | - | 52,084 | 472,704 |
| Restricted | 26,730,723 | 14,305,947 | 40,915,875 | 26,038,097 | 107,990,642 |
| Committed | 21,878,089 | - | - | - | 21,878,089 |
| Assigned | 7,872,645 | - | - | 6,390,037 | 14,262,682 |
| Unassigned | 23,658,772 | - | - | - | 23,658,772 |
| **Total Fund Balances** | 80,560,849 | 14,305,947 | 40,915,875 | 32,480,218 | 168,262,889 |
| **Total Liabilities and Fund Balances** | $ 91,056,396 | $ 15,830,998 | $ 40,915,875 | $ 33,354,305 | $ 181,157,574 |

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**
**JUNE 30, 2023**

| | | |
|---|---|---|
| **Total Fund Balance - Governmental Funds** | | $ 168,262,889 |
| Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because: | | |
| Capital assets: | | |
| In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation: | | |
| Capital assets | $ 363,057,870 | |
| Accumulated depreciation | (87,626,423) | 275,431,447 |
| Deferred amount on refunding: | | |
| In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements: | | 2,447,615 |
| 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 unmatured interest owing at the end of the period was: | | (1,995,773) |
| Long-term liabilities: | | |
| In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of: | | |
| Total general obligation bonds | $ 182,847,288 | |
| Total certificates of participation | 455,960 | |
| Compensated absences | 588,800 | |
| Net OPEB liability | 18,490,215 | |
| Net pension liability | 105,595,508 | (307,977,771) |
| Deferred outflows and inflows of resources relating to pensions: | | |
| In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. | | |
| Deferred outflows of resources related to pensions | $ 43,810,393 | |
| Deferred inflows of resources related to pensions | (8,302,502) | 35,507,891 |

*(continued on the following page)*

Deferred outflows and inflows of resources relating to OPEB:

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

| | | |
|---|---|---|
| Deferred outflows of resources related to OPEB | $ 1,637,176 | |
| Deferred inflows of resources related to OPEB | (4,883,074) | (3,245,898) |

Internal service funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is: 1,249,918

| | |
|---|---|
| **Total Net Position - Governmental Activities** | $ 169,680,318 |

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**
**GOVERNMENTAL FUNDS**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | General Fund | Building Fund | County School Facilities Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| LCFF sources | $ 133,517,481 | $ - | $ - | $ - | $ 133,517,481 |
| Federal sources | 16,722,101 | - | - | 6,097,657 | 22,819,758 |
| Other state sources | 31,081,713 | - | 4,922,202 | 1,694,235 | 37,698,150 |
| Other local sources | 8,139,454 | 1,304,281 | 466,079 | 16,408,355 | 26,318,169 |
| **Total Revenues** | 189,460,749 | 1,304,281 | 5,388,281 | 24,200,247 | 220,353,558 |
| **EXPENDITURES** | | | | | |
| Current | | | | | |
| Instruction | 80,817,848 | - | - | - | 80,817,848 |
| Instruction-related services | | | | | |
| Instructional supervision and administration | 7,491,406 | - | - | - | 7,491,406 |
| Instructional library, media, and technology | 4,361,949 | - | - | - | 4,361,949 |
| School site administration | 8,479,683 | - | - | - | 8,479,683 |
| Pupil services | | | | | |
| Home-to-school transportation | 4,919,868 | - | - | - | 4,919,868 |
| Food services | 93,335 | - | - | 5,909,486 | 6,002,821 |
| All other pupil services | 15,711,885 | - | - | - | 15,711,885 |
| General administration | | | | | |
| Centralized data processing | 300,289 | - | - | - | 300,289 |
| All other general administration | 7,807,471 | - | - | 169,521 | 7,976,992 |
| Plant services | 18,690,076 | 55,715 | - | 331,826 | 19,077,617 |
| Facilities acquisition and construction | 456,828 | 24,905,956 | - | 6,488,631 | 31,851,415 |
| Ancillary services | 3,887,523 | - | - | 3,554,366 | 7,441,889 |
| Transfers to other agencies | 3,175,166 | - | - | - | 3,175,166 |
| Debt service | | | | | |
| Principal | 424,456 | - | - | 4,420,369 | 4,844,825 |
| Interest and other | 22,705 | - | - | 4,907,077 | 4,929,782 |
| **Total Expenditures** | 156,640,488 | 24,961,671 | - | 25,781,276 | 207,383,435 |
| **Excess (Deficiency) of Revenues Over Expenditures** | 32,820,261 | (23,657,390) | 5,388,281 | (1,581,029) | 12,970,123 |
| **Other Financing Sources (Uses)** | | | | | |
| Transfers in | - | - | - | 439,740 | 439,740 |
| Transfers out | (439,740) | - | - | - | (439,740) |
| **Net Financing Sources (Uses)** | (439,740) | - | - | 439,740 | - |
| **NET CHANGE IN FUND BALANCE** | 32,380,521 | (23,657,390) | 5,388,281 | (1,141,289) | 12,970,123 |
| **Fund Balance - Beginning, as Restated** | 48,180,328 | 37,963,337 | 35,527,594 | 33,621,507 | 155,292,766 |
| **Fund Balance - Ending** | $ 80,560,849 | $ 14,305,947 | $ 40,915,875 | $ 32,480,218 | $ 168,262,889 |

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

## SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2023

| | | |
|---|---|---|
| **Net Change in Fund Balances - Governmental Funds** | | $ 12,970,123 |
| Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because: | | |
| Capital outlay: | | |
| In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is: | | |
| Expenditures for capital outlay: | $ 35,285,004 | |
| Depreciation expense: | (7,285,070) | 27,999,934 |
| Debt service: | | |
| In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: | | 4,844,825 |
| Deferred amounts on refunding: | | |
| In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was: | | (239,740) |
| Gain or loss from the disposal of capital assets: | | |
| In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: | | (15,479) |
| Unmatured interest on long-term debt: | | |
| In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: | | 64,759 |
| Accreted interest on long-term debt: | | |
| In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. | | (769,570) |

*(continued on the following page)*

| | | |
|---|---|---|
| Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: | | 183,269 |
| Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: | | (389,135) |
| Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: | | 11,028,530 |
| Amortization of debt issuance premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: | | 355,315 |
| Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: | | 212,079 |
| **Change in Net Position of Governmental Activities** | $ | 56,244,910 |

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**
**PROPRIETARY FUNDS**
**STATEMENT OF NET POSITION**
**JUNE 30, 2023**

| | Governmental Activities<br>Internal Service Fund |
|---|---|
| **ASSETS** | |
| Current assets | |
| Cash and investments | $ 1,243,763 |
| Accounts receivable | 6,155 |
| Total current assets | 1,249,918 |
| **Total Assets** | 1,249,918 |
| | |
| **NET POSITION** | |
| Restricted | 1,249,918 |
| **Total Net Position** | $ 1,249,918 |

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

## SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
## PROPRIETARY FUNDS
## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
## FOR THE YEAR ENDED JUNE 30, 2023

| | Governmental Activities<br>Internal Service Fund |
|---|---|
| **OPERATING REVENUES** | |
| Charges for services | $ 1,163,453 |
| Other local revenues | 210,886 |
| **Total operating revenues** | 1,374,339 |
| **OPERATING EXPENSES** | |
| Professional services | 1,168,371 |
| **Total operating expenses** | 1,168,371 |
| **Operating income/(loss)** | 205,968 |
| **NON-OPERATING REVENUES/(EXPENSES)** | |
| Interest income | 6,111 |
| **Total non-operating revenues/(expenses)** | 6,111 |
| **CHANGE IN NET POSITION** | 212,079 |
| **Net Position - Beginning** | 1,037,839 |
| **Net Position - Ending** | $ 1,249,918 |

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, 2023**

| | Governmental Activities<br>Internal Service Fund |
|---|---|
| **Cash flows from operating activities** | |
| Cash received from user charges | $ 1,163,453 |
| Cash received (paid) from assessments made to (from) other funds | 206,444 |
| Cash payments for payroll, insurance, and operating costs | (1,168,371) |
| Net cash provided by (used for) operating activities | 201,526 |
| **Cash flows from investing activities** | |
| Interest received | 6,111 |
| Net cash provided by (used for) investing activities | 6,111 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 207,637 |
| | |
| **CASH AND CASH EQUIVALENTS** | |
| Beginning of year | 1,036,126 |
| End of year | $ 1,243,763 |
| | |
| **Reconciliation of operating income (loss) to cash provided by (used for) operating activities** | |
| Operating income/(loss) | $ 205,968 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | |
| Changes in assets and liabilities: | |
| (Increase) decrease in accounts receivables | (4,442) |
| **Net cash provided by (used for) operating activities** | $ 201,526 |

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Financial Reporting Entity

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

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

### B. Component Units

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

### C. Basis of Presentation

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. 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.

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

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

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

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

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

**Major Governmental Funds**

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

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

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

**Non-Major Governmental Funds**

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

**Student Activity Fund:** This fund may be used to account for student body activities that do not meet the fiduciary criteria established in GASB Statement No. 84.

**Cafeteria 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 Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections* 38091 and 38100).

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

### C. Basis of Presentation (continued)

#### Non-Major Governmental Funds (continued)

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

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

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

**Debt Service Funds:** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

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

#### Proprietary Funds

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

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

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

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

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

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

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

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

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

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

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

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

### D. Basis of Accounting – Measurement Focus (continued)

**Unearned revenue**

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

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

**Expenses/Expenditures**

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

**Cash and Cash Equivalents**

The District’s cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

**Investments**

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

**Inventories**

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

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

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

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

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

Depreciation is computed using the straight-line method over the following estimated useful lives:

| Asset Class | Estimated Useful Life |
|---|---|
| Buildings | 20 – 50 years |
| Site Improvements | 20 years |
| Equipment | 5 – 15 years |

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

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

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

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

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

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

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

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

| | |
|---|---|
| Valuation Date | June 30, 2022 |
| Measurement Date | June 30, 2023 |
| Measurement Period | July 1, 2022 to June 30, 2023 |

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Fund Balance (continued)**

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

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

**F. Interfund Activity**

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

**G. Estimates**

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

**H. Budgetary Data**

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

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

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

## I. Property Tax

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

## J. New Accounting Pronouncements

**GASB Statement No. 91** – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has fully implemented this Statement as of June 30, 2023.

**GASB Statement No. 96** – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The statement is effective for periods beginning after June 15, 2022. The District has fully implemented this Statement as of June 30, 2023.

**GASB Statement No. 99** – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

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

### J. New Accounting Pronouncements (continued)

**GASB Statement No. 100** – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 101** – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The District has not yet determined the impact on the financial statements.

## NOTE 2 – CASH AND INVESTMENTS

### A. Summary of Cash and Investments

| | Governmental Funds | Internal Service Fund | Governmental Activities |
|---|---|---|---|
| Investment in county treasury | $ 173,912,731 | $ 1,092,076 | $ 175,004,807 |
| Fair value adjustment | (5,785,435) | (36,329) | (5,821,764) |
| Cash on hand and in banks | 1,956,333 | 188,016 | 2,144,349 |
| Cash with fiscal agent | 70,536 | - | 70,536 |
| Cash in revolving fund | 15,321 | - | 15,321 |
| **Total** | $ 170,169,486 | $ 1,243,763 | $ 171,413,249 |

### B. Policies and Practices

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

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

**B. Policies and Practices (continued)**

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

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

**C. General Authorizations**

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

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

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $169,183,043. The average weighted maturity for this pool is 643 days.

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

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated.

**F. Custodial Credit Risk – Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2023, the District's bank balance was exposed to custodial credit risk amounting to $1,548,043 because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

**G. Fair Value**

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

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

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

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

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

The District's fair value measurements at June 30, 2023 were as follows:

| | Uncategorized |
|---|---|
| Investment in county treasury | $ 169,183,043 |
| **Total** | $ 169,183,043 |

## NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2023 consisted of the following:

| | General Fund | Building Fund | County School Facilities Fund | Non-Major Governmental Funds | Internal Service Fund | Governmental Activities |
|---|---|---|---|---|---|---|
| Federal Government | | | | | | |
| Categorical aid | $ 4,229,180 | $ - | $ - | $ 854,211 | $ - | $ 5,083,391 |
| State Government | | | | | | |
| Categorical aid | 2,706,356 | - | - | 244,642 | - | 2,950,998 |
| Lottery | 548,861 | - | - | - | - | 548,861 |
| Local Government | | | | | | |
| Other local sources | 1,361,597 | 107,654 | 224,427 | 169,484 | 6,155 | 1,869,317 |
| **Total** | $ 8,845,994 | $ 107,654 | $ 224,427 | $ 1,268,337 | $ 6,155 | $ 10,452,567 |

## NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

| | Balance July 01, 2022 | Additions | Deletions | Balance June 30, 2023 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital assets not being depreciated | | | | |
| Land | $ 12,293,183 | $ - | $ - | $ 12,293,183 |
| Construction in progress | 68,626,714 | 21,200,148 | 12,501,450 | 77,325,412 |
| Total capital assets not being depreciated | 80,919,897 | 21,200,148 | 12,501,450 | 89,618,595 |
| Capital assets being depreciated | | | | |
| Land improvements | 24,677,542 | 555,138 | - | 25,232,680 |
| Buildings & improvements | 189,643,758 | 22,574,596 | - | 212,218,354 |
| Furniture & equipment | 32,559,977 | 3,456,572 | 28,308 | 35,988,241 |
| Total capital assets being depreciated | 246,881,277 | 26,586,306 | 28,308 | 273,439,275 |
| Less: Accumulated depreciation | | | | |
| Land improvements | 12,447,710 | 1,199,690 | - | 13,647,400 |
| Buildings & improvements | 47,516,482 | 4,048,871 | - | 51,565,353 |
| Furniture & equipment | 20,389,990 | 2,036,509 | 12,829 | 22,413,670 |
| Total accumulated depreciation | 80,354,182 | 7,285,070 | 12,829 | 87,626,423 |
| Total capital assets being depreciated, net | 166,527,095 | 19,301,236 | 15,479 | 185,812,852 |
| **Governmental Activities Capital Assets, net** | $ 247,446,992 | $ 40,501,384 | $ 12,516,929 | $ 275,431,447 |

## NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2023 were as follows:

| | Due From Other Funds | | |
|---|---|---|---|
| Due To Other Funds | General Fund | Non-Major Governmental Funds | Total |
| General Fund | $ - | $ 58,820 | $ 58,820 |
| Non-Major Governmental Funds | 25,473 | - | 25,473 |
| **Total** | $ 25,473 | $ 58,820 | $ 84,293 |

| | |
|---|---|
| Due from the General Fund to the Special Reserve Fund for Capital Outlay Projects to move RDA property taxes. | $ 58,820 |
| Due from the Cafeteria Fund to the General Fund for OPEB and indirect costs. | 25,473 |
| **Total** | $ 84,293 |

### B. Operating Transfers

During the year ended June 30, 2023, the General Fund transferred $439,740 to the Special Reserve Fund for Capital Outlay Projects to support capital projects activity.

## NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2023 consisted of the following:

| | General Fund | Building Fund | Non-Major Governmental Funds | District-Wide | Governmental Activities |
|---|---|---|---|---|---|
| Payroll | $ 1,099,989 | $ - | $ 20,328 | $ - | $ 1,120,317 |
| Construction | - | 1,525,051 | 783,474 | - | 2,308,525 |
| Vendors payable | 5,252,325 | - | 44,812 | - | 5,297,137 |
| Due to grantor government | 2,238,541 | - | - | - | 2,238,541 |
| Unmatured interest | - | - | - | 1,995,773 | 1,995,773 |
| **Total** | $ 8,590,855 | $ 1,525,051 | $ 848,614 | $ 1,995,773 | $ 12,960,293 |

## NOTE 7 – UNEARNED REVENUE

Unearned revenue in the General Fund at June 30, 2023 amounted to $1,845,872, which consists of $665,144 in federal sources and $1,180,728 in state sources.

## NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2023 consisted of the following:

| | Balance July 01, 2022 | Additions | Deductions | Balance June 30, 2023 | Balance Due In One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| General obligation bonds | $ 174,088,841 | $ - | $ 4,335,000 | $ 169,753,841 | $ 3,750,000 |
| Unamortized premium | 5,253,829 | - | 355,315 | 4,898,514 | 348,445 |
| Accreted interest | 7,425,363 | 769,570 | - | 8,194,933 | - |
| Total general obligation bonds | 186,768,033 | 769,570 | 4,690,315 | 182,847,288 | 4,098,445 |
| Direct placement certificates of participation | 965,785 | - | 509,825 | 455,960 | 455,960 |
| Compensated absences | 772,069 | - | 183,269 | 588,800 | - |
| Net OPEB liability | 17,865,992 | 624,223 | - | 18,490,215 | - |
| Net pension liability | 63,228,203 | 42,367,305 | - | 105,595,508 | - |
| **Total** | $ 269,600,082 | $ 43,761,098 | $ 5,383,409 | $ 307,977,771 | $ 4,554,405 |

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

### A. Compensated Absences

Total unpaid employee compensated absences as of amounted to $588,800. This amount is included as part of long-term liabilities in the government-wide financial statements.

### B. Direct Placement Certificates of Participation (COP)

The annual requirements to amortize the 2012 COP agreement outstanding as of June 30, 2023 are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 455,960 | $ 11,144 | $ 467,104 |
| Total | $ 455,960 | $ 11,144 | $ 467,104 |

### C. Other Postemployment Benefits

The District's beginning net OPEB liability was $17,865,992 and increased by $624,223 during the year ended June 30, 2023. The ending net OPEB liability at June 30, 2023 was $18,490,215. See Note 10 for additional information regarding the net OPEB liability.

### D. Net Pension Liability

The District's beginning net pension liability was $63,228,203 and increased by $42,367,305 during the year ended June 30, 2023. The ending net pension liability at June 30, 2023 was $105,595,508. See Note 11 for additional information regarding the net pension liability.

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

### E. General Obligation Bonds

The outstanding general obligation bonded debt of the District as of June 30, 2023 is as follows:

| Series | Maturity Date | Interest Rate | Original Issue | Bonds Outstanding July 01, 2022 | Additions | Deductions | Bonds Outstanding June 30, 2023 |
|---|---|---|---|---|---|---|---|
| Election 2000, Series B | 2025 | 2.00% - 4.38% | $ 12,000,000 | $ 2,200,000 | $ - | $ 660,000 | $ 1,540,000 |
| Election 2004, Series 2005 | 2031 | 2.00% - 5.01% | 34,998,222 | 3,678,221 | - | - | 3,678,221 |
| 2013 Refunding | 2027 | 4.00% - 5.00% | 26,820,000 | 4,950,000 | - | 2,315,000 | 2,635,000 |
| Election 2004, Series 2014 | 2038 | 3.00% - 5.00% | 28,996,159 | 1,045,000 | - | 360,000 | 685,000 |
| Election 2016, Series 2017 | 2043 | 2.00% - 5.00% | 47,000,000 | 37,080,000 | - | - | 37,080,000 |
| Election 2016, Series 2021 | 2047 | 1.25% - 4.00% | 67,000,000 | 67,000,000 | - | - | 67,000,000 |
| 2021 Refunding | 2037 | 0.555% - 2.958% | 58,135,620 | 58,135,620 | - | 1,000,000 | 57,135,620 |
| **Total** | | | | $ 174,088,841 | $ - | $ 4,335,000 | $ 169,753,841 |

The annual requirements to amortize the general obligation bonds outstanding at June 30, 2023 are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 3,750,000 | $ 4,818,932 | $ 8,568,932 |
| 2025 | 4,180,000 | 4,612,061 | 8,792,061 |
| 2026 | 4,110,000 | 4,506,169 | 8,616,169 |
| 2027 | 4,475,000 | 4,446,429 | 8,921,429 |
| 2028 | 2,199,038 | 7,806,516 | 10,005,554 |
| 2029 - 2033 | 23,129,803 | 30,129,345 | 53,259,148 |
| 2034 - 2038 | 49,055,000 | 15,491,078 | 64,546,078 |
| 2039 - 2043 | 38,855,000 | 8,525,925 | 47,380,925 |
| 2044 - 2047 | 40,000,000 | 2,078,750 | 42,078,750 |
| **Total** | $ 169,753,841 | $ 82,415,205 | $ 252,169,046 |

Accreted interest in the amount of $8,194,933 is not included in the table above.

**2021 General Obligation Refunding Bonds**

On December 8, 2021, the District issued 2021 General Obligation Refunding Bonds in the amount of $58,135,620. The net proceeds received for the bonds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the 2013 Refunding, Election of 2004, Series 2013, and Election of 2004, Series 2014 general obligation bonds that were partially refunded. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's financial statements. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized as an expense over the life of the bond. This refunding reduced total debt service payments by $6,315,582 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $4,967,523.

## NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2023:

| | General Fund | Building Fund | County School Facilities Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| Non-spendable | | | | | |
| Revolving cash | $ 14,301 | $ - | $ - | $ 1,020 | $ 15,321 |
| Stores inventory | 291,616 | - | - | 51,064 | 342,680 |
| Prepaid expenditures | 114,703 | - | - | - | 114,703 |
| Total non-spendable | 420,620 | - | - | 52,084 | 472,704 |
| Restricted | | | | | |
| Educational programs | 26,730,723 | - | - | - | 26,730,723 |
| Food service | - | - | - | 5,411,282 | 5,411,282 |
| Associated student body | - | - | - | 1,721,325 | 1,721,325 |
| Capital projects | - | 14,305,947 | 40,915,875 | 1,270,028 | 56,491,850 |
| Debt service | - | - | - | 17,635,462 | 17,635,462 |
| Total restricted | 26,730,723 | 14,305,947 | 40,915,875 | 26,038,097 | 107,990,642 |
| Committed | | | | | |
| Other commitments | 21,878,089 | - | - | - | 21,878,089 |
| Total committed | 21,878,089 | - | - | - | 21,878,089 |
| Assigned | | | | | |
| LCAP | 1,175,431 | - | - | - | 1,175,431 |
| New bus and canopy purchase | 1,169,555 | - | - | - | 1,169,555 |
| Site/department carryover | 1,035,222 | - | - | - | 1,035,222 |
| Instructional materials carryover | 970,853 | - | - | - | 970,853 |
| MAA carryover | 433,219 | - | - | - | 433,219 |
| Other assignments | 335,263 | - | - | - | 335,263 |
| Special reserve | 2,641,088 | - | - | - | 2,641,088 |
| Deferred maintenance | 112,014 | - | - | - | 112,014 |
| Capital outlay projects | - | - | - | 6,390,037 | 6,390,037 |
| Total assigned | 7,872,645 | - | - | 6,390,037 | 14,262,682 |
| Unassigned | 23,658,772 | - | - | - | 23,658,772 |
| **Total** | $ 80,560,849 | $ 14,305,947 | $ 40,915,875 | $ 32,480,218 | $ 168,262,889 |

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

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

### A. Plan Description

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

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

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

### B. OPEB Plan Fiduciary Net Position

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

### C. Benefits Provided

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

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

### D. Contributions

The District has accumulated assets in the Futuris Public Entity Investment Trust that meets the criteria in paragraph 4 of GASB Statement 75. The District's contribution is currently based on a projected pay-as-you-go funding method, that is, benefits are payable when due. For the measurement period, the District contributed $1,474,984 to the trust. Of these contributions, $772,789 was used for current benefit payments.

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

### E. Plan Membership

Membership of the Plan consisted of the following:

| | Number of participants |
|---|---|
| Inactive employees receiving benefits | 53 |
| Inactive employees entitled to but not receiving benefits* | - |
| Participating active employees | 846 |
| **Total number of participants**** | 899 |

*Information not provided
**As of the June 30, 2022 valuation date

### F. Net OPEB Liability

The components of the net OPEB liability of the District at June 30, 2023, were as follows:

| | |
|---|---|
| Total OPEB liability | $ 23,655,173 |
| Plan fiduciary net position | (5,164,958) |
| **District's net OPEB liability** | $ 18,490,215 |
| | |
| Plan fiduciary net position as a percentage of total OPEB liability | 21.83% |

### G. Investments

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

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

**G. Investments (continued)**

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

| Investment | Fair Value | Percentage of fiduciary net position |
|---|---|---|
| Mutual Fund - Fixed Income | | |
| Western Asset Core Plus Bond IS | $ 506,554 | 9.81% |
| Prudential Funds Total Return Bond CL R6 | 505,100 | 9.78% |
| Guggenheim Investments Investment Grade Bond Fund | 503,758 | 9.75% |
| Blackrock Total Return - K | 502,543 | 9.73% |
| Mutual Fund - Domestic Equity | | |
| Columbia Contrarian Core | 425,350 | 8.24% |
| Alger Funds Focus Equity Fund CL Y | 291,500 | 5.64% |
| Thornburg Investment Income Builder R6 | 287,172 | 5.56% |
| Mutual Fund - Real Estate | | |
| Cohen and Steers Real Estate Securities - Z | 293,701 | 5.69% |
| All others | 1,849,280 | 35.80% |
| **Total fiduciary net position** | $ 5,164,958 | |

**Rate of Return**
For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 7.35 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**H. Actuarial Assumptions and Other Inputs**

The total OPEB liability as of June 30, 2023 was determined by an actuarial valuation as of June 30, 2022 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

**Economic assumptions:**

| | |
|---|---|
| Salary increases | 2.75% |
| Inflation rate | 2.50% |
| Investment return/discount rate | 5.44% |
| Healthcare cost trend rates | 4.00% |

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

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

**Non-economic assumptions:**

*Mortality:*
Certificated participant mortality rates were based on the 2020 CalSTRS Mortality tables while the mortality rates for classified participants were based on the CalPERS 2017 Mortality for Miscellaneous and Schools Employees tables.

*Retirement Rates:*
For certificated and certificated management participants, the 2020 CalSTRS retirement rate tables were used. For classified and classified management participants, the 2017 CalPERS retirement rate tables for schools employees were used.

The actuarial assumptions used in the June 30, 2022 valuation were based on a review of plan experience during the period July 1, 2020 to June 30, 2022.

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

| Asset Class | Percentage of Portfolio | Assumed Gross Return |
|---|---|---|
| All Fixed Income | 55% | 4.25% |
| All Domestic Equities | 22% | 7.25% |
| All International Equities | 19% | 7.25% |
| Real Estate Investment Trusts | 4% | 7.25% |

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

**I. Changes in Net OPEB Liability**

| | June 30, 2023 |
|---|---|
| **Total OPEB Liability** | |
| Service cost | $ 1,373,051 |
| Interest on total OPEB liability | 1,193,719 |
| Difference between expected and actual experience | 16,854 |
| Changes of assumptions | (201,385) |
| Benefits payments | (772,789) |
| Net change in total OPEB liability | 1,609,450 |
| Total OPEB liability - beginning | 22,045,723 |
| Total OPEB liability - ending (a) | $ 23,655,173 |
| | |
| **Plan fiduciary net position** | |
| Contributions - employer | $ 1,474,984 |
| Net investment income | 331,376 |
| Benefit payments | (772,789) |
| Administrative expenses | (48,344) |
| Net change in plan fiduciary net position | 985,227 |
| Plan fiduciary net position - beginning | 4,179,731 |
| Plan fiduciary net position - ending (b) | $ 5,164,958 |
| | |
| District's net OPEB liability - ending (a) - (b) | $ 18,490,215 |

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

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

| | 1% Decrease (4.44%) | Valuation Discount Rate (5.44%) | 1% Increase (6.44%) |
|---|---|---|---|
| Net OPEB liability | $ 20,463,088 | $ 18,490,215 | $ 16,690,454 |

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

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

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

| | 1% Decrease (3.00%) | Valuation Trend Rate (4.00%) | 1% Increase (5.00%) |
|---|---|---|---|
| Net OPEB liability | $ 15,597,503 | $ 18,490,215 | $ 21,915,279 |

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

For the fiscal year ended June 30, 2023, the District recognized net OPEB expense of $1,864,119. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between projected and actual earnings on plan investments | $ 369,399 | $ - |
| Differences between expected and actual experience | 15,641 | 2,370,134 |
| Changes in assumptions | 1,252,136 | 2,512,940 |
| **Total** | $ 1,637,176 | $ 4,883,074 |

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

| Year Ended June 30, | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| 2024 | $ 312,638 | $ 807,064 |
| 2025 | 332,841 | 807,064 |
| 2026 | 426,054 | 571,109 |
| 2027 | 47,754 | 310,808 |
| 2028 | 63,553 | 310,808 |
| Thereafter | 454,336 | 2,076,221 |
| **Total** | $ 1,637,176 | $ 4,883,074 |

## NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

| | Net pension liability | Deferred outflows related to pensions | Deferred inflows related to pensions | Pension expense |
|---|---|---|---|---|
| STRS Pension | $ 57,333,203 | $ 25,598,190 | $ 7,101,674 | $ (1,775,799) |
| PERS Pension | 48,262,305 | 18,212,203 | 1,200,828 | 7,237,503 |
| **Total** | $ 105,595,508 | $ 43,810,393 | $ 8,302,502 | $ 5,461,704 |

### A. California State Teachers' Retirement System (CalSTRS)

**Plan Description**

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

**Benefits Provided**

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

## NOTE 11 – PENSION PLANS (continued)

### A. California State Teachers' Retirement System (CalSTRS) (continued)

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2023, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2023 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $10,328,517 for the year ended June 30, 2023.

**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 $4,606,028.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | | |
|---|---|---|
| District's proportionate share of the net pension liability | $ | 57,333,203 |
| State's proportionate share of the net pension liability associated with the District | | 28,712,637 |
| **Total** | $ | 86,045,840 |

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2022, the District's proportion was 0.083 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2021.

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

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

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

For the year ended June 30, 2023, the District recognized pension expense of $(1,775,799). In addition, the District recognized pension expense and revenue of $(2,147,477) for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between projected and actual earnings on plan investments | $ - | $ 2,802,880 |
| Differences between expected and actual experience | 47,031 | 4,298,794 |
| Changes in assumptions | 2,843,310 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 12,379,332 | - |
| District contributions subsequent to the measurement date | 10,328,517 | - |
| **Total** | $ 25,598,190 | $ 7,101,674 |

The $10,328,517 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| 2024 | $ 5,109,940 | $ 2,997,604 |
| 2025 | 2,536,891 | 3,170,051 |
| 2026 | 2,473,678 | 4,275,691 |
| 2027 | 2,088,992 | (4,134,598) |
| 2028 | 1,813,563 | 595,725 |
| 2029 | 1,246,609 | 197,201 |
| **Total** | $ 15,269,673 | $ 7,101,674 |

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

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

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2022, are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return* |
|---|---|---|
| Public Equity | 42% | 4.80% |
| Real Estate | 15% | 3.60% |
| Private Equity | 13% | 6.30% |
| Fixed Income | 12% | 1.30% |
| Risk Mitigating Strategies | 10% | 1.80% |
| Inflation Sensitive | 6% | 3.30% |
| Cash/Liquidity | 2% | -0.40% |
| | 100% | |

*20-year geometric average

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

| | 1% Decrease (6.10%) | Current Discount Rate (7.10%) | 1% Increase (8.10%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 97,373,044 | $ 57,333,203 | $ 24,088,097 |

**Pension Plan Fiduciary Net Position**

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

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

**B. California Public Employees' Retirement System (CalPERS)**

**Plan Description**

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

**Benefits Provided**

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

**Contributions**

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2023 was 25.37% of annual payroll. Contributions to the plan from the District were $6,161,717 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of $48,262,305 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2022, the District's proportion was 0.140 percent, which was an increase of 0.010 percent from its proportion measured as of June 30, 2021.

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

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions (continued)**
For the year ended June 30, 2023, the District recognized pension expense of $7,237,503. At June 30, 2023, the District reported deferred outflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between projected and actual earnings on plan investments | $ 5,698,466 | $ - |
| Differences between expected and actual experience | 218,117 | 1,200,828 |
| Changes in assumptions | 3,570,171 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 2,563,732 | - |
| District contributions subsequent to the measurement date | 6,161,717 | - |
| **Total** | $ 18,212,203 | $ 1,200,828 |

The $6,161,717 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| 2024 | $ 3,394,095 | $ 421,034 |
| 2025 | 3,000,335 | 421,034 |
| 2026 | 2,181,333 | 358,760 |
| 2027 | 3,474,723 | - |
| **Total** | $ 12,050,486 | $ 1,200,828 |

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

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

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement

| | |
|---|---|
| Inflation | 2.30% |
| Discount Rate | 6.90% |
| Salary Increases | Varies by Entry Age and Service |

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 80% of scale MP 2020.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from 2000 through 2019.

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

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

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

**Actuarial Assumptions (continued)**

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

| Asset Class | Assumed Asset Allocation | Real Return Years 1 – 10* |
|---|---|---|
| Global Equity – cap-weighted | 30.0% | 4.45% |
| Global Equity – non-cap-weighted | 12.0% | 3.84% |
| Private Equity | 13.0% | 7.28% |
| Treasury | 5.0% | 0.27% |
| Mortgage-backed securities | 5.0% | 0.50% |
| Investment grade corporates | 10.0% | 1.56% |
| High yield | 5.0% | 2.27% |
| Emerging market debt | 5.0% | 2.48% |
| Private debt | 5.0% | 3.57% |
| Real assets | 15.0% | 3.21% |
| Leverage | (5.0)% | (0.59)% |
| | 100.0% | |

*An expected inflation of 2.30% used for this period. Figures are based on the 2021-22 CalPERS Asset Liability Management Study

**Discount Rate**

The discount rate used to measure the total pension liability was 6.90 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

| | 1% Decrease (5.90%) | Current Discount Rate (6.90%) | 1% Increase (7.90%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 69,717,343 | $ 48,262,305 | $ 30,530,504 |

**Pension Plan Fiduciary Net Position**

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

## 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, 2023.

### 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, 2023.

### C. Construction Commitments

As of June 30, 2023, the District had commitments with respect to unfinished capital projects of $17,708,093.

## NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in a joint venture under a joint powers agreement (JPA) with the Self Insurance Program for Employees (SIPE). SIPE was established to provide services necessary and appropriate for the development, operation and maintenance of a self-insurance system for workers' compensation claims against the public educational agencies who are members. The participants consist of the Santa Barbara County Office of Education and various school districts. Each participant may appoint one representative to the governing board. The governing board is responsible for establishing premium rates and making budget and operational decisions for SIPE independent of any influence by the District beyond their board member representation. Each participant shares surpluses and deficits proportionate to their participation in SIPE. In the event SIPE is terminated, the District would be liable for its proportionate share of all unpaid claims. The relationship between the District and SIPE is such that SIPE is not a component unit of the District for financial reporting purposes.

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

The District participates in a joint venture under the joint powers agreement (JPA) with the Santa Barbara County Schools Financing Authority. The Authority's purpose is providing financing assistance for construction and acquisition of major capital facilities to its four members: The District, Goleta Union School District, Hope Elementary School District, Santa Barbara Unified School District. The Authority is governed by a board comprised of the chief business officer of each member. The relationship between the District and the Authority is such that the Authority is not a component unit of the District for financial reporting purposes.

## NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

### A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2023, the deferred amount on refunding was $2,447,615.

### B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found in Note 11. At June 30, 2023, total deferred outflows related to pensions was $43,810,393 and total deferred inflows related to pensions was $8,302,502.

### C. Other Postemployment Benefits (OPEB)

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found in Note 10. At June 30, 2023, total deferred outflows related to other postemployment benefits was $1,637,176 and total deferred inflows related to other postemployment benefits was $4,883,074.

# REQUIRED SUPPLEMENTARY INFORMATION

## SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
## GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
## FOR THE YEAR ENDED JUNE 30, 2023

| | Budgeted Amounts | | Actual* | Variances - |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | Final to Actual |
| **REVENUES** | | | | |
| LCFF sources | $ 121,696,433 | $ 133,012,841 | $ 133,517,481 | $ 504,640 |
| Federal sources | 10,983,627 | 18,097,332 | 17,055,516 | (1,041,816) |
| Other state sources | 9,630,092 | 32,518,326 | 31,081,713 | (1,436,613) |
| Other local sources | 6,594,365 | 8,076,062 | 7,731,204 | (344,858) |
| **Total Revenues** | 148,904,517 | 191,704,561 | 189,385,914 | (2,318,647) |
| **EXPENDITURES** | | | | |
| Certificated salaries | 53,783,840 | 60,291,033 | 58,728,432 | 1,562,601 |
| Classified salaries | 22,733,546 | 25,933,661 | 23,577,641 | 2,356,020 |
| Employee benefits | 37,216,981 | 38,626,332 | 37,431,693 | 1,194,639 |
| Books and supplies | 9,435,197 | 23,497,983 | 10,517,841 | 12,980,142 |
| Services and other operating expenditures | 14,605,096 | 32,983,617 | 18,780,103 | 14,203,514 |
| Capital outlay | 2,944,420 | 6,672,742 | 3,422,475 | 3,250,267 |
| Other outgo | | | | |
| Excluding transfers of indirect costs | 3,911,682 | 3,764,002 | 3,622,327 | 141,675 |
| Transfers of indirect costs | (238,551) | (238,551) | (116,908) | (121,643) |
| **Total Expenditures** | 144,392,211 | 191,530,819 | 155,963,604 | 35,567,215 |
| **Excess (Deficiency) of Revenues Over Expenditures** | 4,512,306 | 173,742 | 33,422,310 | 33,248,568 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | 426,300 | 426,300 | 426,263 | (37) |
| Transfers out | (375,000) | (441,134) | (814,740) | (373,606) |
| **Net Financing Sources (Uses)** | 51,300 | (14,834) | (388,477) | (373,643) |
| **NET CHANGE IN FUND BALANCE** | 4,563,606 | 158,908 | 33,033,833 | 32,874,925 |
| **Fund Balance - Beginning** | 45,250,126 | 44,773,914 | 44,773,914 | - |
| **Fund Balance - Ending** | $ 49,813,732 | $ 44,932,822 | $ 77,807,747 | $ 32,874,925 |

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

- The amounts on the Statement of Revenues, Expenditures, and Changes in Fund Balances include the financial activity of the Deferred Maintenance Fund and the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.
- In the Statement of Revenues, Expenditures, and Changes in Fund Balances, revenues for the Medi-Cal Billing Option and Medi-Cal Administrative Activities programs have been reclassified from federal revenues to local revenues.

See accompanying notes to required supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |
|---|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | | |
| Service cost | $ 1,373,051 | $ 1,212,656 | $ 1,130,504 | $ 1,087,699 | $ 1,056,018 | $ 1,078,418 |
| Interest on total OPEB liability | 1,193,719 | 1,233,328 | 1,172,706 | 982,066 | 1,067,283 | 806,275 |
| Difference between expected and actual experience | 16,854 | (1,816,929) | - | (199,125) | (1,817,643) | - |
| Changes of assumptions | (201,385) | 459,707 | 450,700 | (2,351,157) | 1,350,292 | (2,182,624) |
| Benefits payments | (772,789) | (920,838) | (714,236) | (536,816) | (405,860) | (502,206) |
| Net change in total OPEB liability | 1,609,450 | 167,924 | 2,039,674 | (1,017,333) | 1,250,090 | (800,137) |
| Total OPEB liability - beginning | 22,045,723 | 21,877,799 | 19,838,125 | 20,855,458 | 19,605,368 | 20,405,505 |
| Total OPEB liability - ending (a) | $ 23,655,173 | $ 22,045,723 | $ 21,877,799 | $ 19,838,125 | $ 20,855,458 | $ 19,605,368 |
| **Plan fiduciary net position** | | | | | | |
| Contributions - employer | $ 1,474,984 | $ 1,583,030 | $ 1,297,413 | $ 1,078,091 | $ 951,129 | $ 1,028,751 |
| Net investment income | 331,376 | (857,483) | 750,490 | 245,497 | 153,889 | 80,600 |
| Benefit payments | (772,789) | (920,838) | (714,236) | (536,816) | (405,860) | (502,206) |
| Administrative expenses | (48,344) | (48,101) | (39,319) | (28,648) | (23,220) | (18,112) |
| Net change in plan fiduciary net position | 985,227 | (243,392) | 1,294,348 | 758,124 | 675,938 | 589,033 |
| Plan fiduciary net position - beginning | 4,179,731 | 4,423,123 | 3,128,775 | 2,370,651 | 1,694,713 | 1,105,680 |
| Plan fiduciary net position - ending (b) | $ 5,164,958 | $ 4,179,731 | $ 4,423,123 | $ 3,128,775 | $ 2,370,651 | $ 1,694,713 |
| District's net OPEB liability - ending (a) - (b) | $ 18,490,215 | $ 17,865,992 | $ 17,454,676 | $ 16,709,350 | $ 18,484,807 | $ 17,910,655 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 21.83% | 18.96% | 20.22% | 15.77% | 11.37% | 8.64% |
| Covered payroll | $ 78,963,242 | $ 64,942,334 | $ 57,960,081 | $ 56,408,838 | $ 57,191,063 | $ 54,629,260 |
| District's net OPEB liability as a percentage of covered payroll | 23.42% | 27.51% | 30.11% | 29.62% | 32.32% | 32.79% |

See accompanying notes to required supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**
**SCHEDULE OF INVESTMENT RETURNS FOR OPEB**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |
|---|---|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment expense | 7.35% | -18.13% | 22.07% | 9.88% | 7.77% | 5.51% |

See accompanying notes to required supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
|---|---|---|---|---|---|---|---|---|---|
| District's proportion of the net pension liability | 0.083% | 0.081% | 0.076% | 0.072% | 0.069% | 0.069% | 0.067% | 0.078% | 0.063% |
| District's proportionate share of the net pension liability | $ 57,333,203 | $ 36,753,731 | $ 73,326,881 | $ 65,254,013 | $ 63,548,595 | $ 63,567,718 | $ 54,378,051 | $ 52,565,572 | $ 36,716,060 |
| State's proportionate share of the net pension liability associated with the District | 28,712,637 | 18,493,437 | 37,799,709 | 35,600,708 | 36,384,721 | 37,606,431 | 30,961,012 | 27,801,318 | 22,170,742 |
| **Total** | $ 86,045,840 | $ 55,247,168 | $ 111,126,590 | $ 100,854,721 | $ 99,933,316 | $ 101,174,149 | $ 85,339,063 | $ 80,366,890 | $ 58,886,802 |
| District's covered payroll | $ 49,526,092 | $ 44,514,459 | $ 41,688,729 | $ 39,691,894 | $ 36,691,894 | $ 36,539,110 | $ 35,730,669 | $ 33,410,822 | $ 27,984,727 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 115.8% | 82.6% | 175.9% | 164.4% | 173.2% | 174.0% | 152.2% | 157.3% | 131.2% |
| Plan fiduciary net position as a percentage of the total pension liability | 81.2% | 87.2% | 71.8% | 72.6% | 71.0% | 69.5% | 70.0% | 74.0% | 76.5% |

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

See accompanying notes to required supplementary information.

## SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
## FOR THE YEAR ENDED JUNE 30, 2023

| | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
|---|---|---|---|---|---|---|---|---|---|
| District's proportion of the net pension liability | 0.140% | 0.130% | 0.127% | 0.126% | 0.128% | 0.128% | 0.124% | 0.122% | 0.124% |
| District's proportionate share of the net pension liability | $ 48,262,305 | $ 26,474,472 | $ 39,029,502 | $ 36,696,077 | $ 34,251,542 | $ 30,443,611 | $ 24,564,894 | $ 17,991,886 | $ 14,228,748 |
| District's covered payroll | $ 21,535,496 | $ 18,685,566 | $ 18,323,682 | $ 17,442,935 | $ 16,945,544 | $ 16,335,975 | $ 14,903,270 | $ 13,260,708 | $ 13,157,210 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 224.1% | 141.7% | 213.0% | 210.4% | 202.1% | 186.4% | 164.8% | 135.7% | 108.1% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.8% | 81.0% | 70.0% | 70.0% | 70.8% | 71.9% | 73.9% | 79.4% | 83.4% |

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

See accompanying notes to required supplementary information.

## SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
## SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
## FOR THE YEAR ENDED JUNE 30, 2023

| | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 10,328,517 | $ 8,378,703 | $ 7,160,908 | $ 7,127,959 | $ 6,461,580 | $ 5,418,828 | $ 4,597,264 | $ 3,779,720 | $ 2,966,081 |
| Contributions in relation to the contractually required contribution* | (10,328,517) | (8,378,703) | (7,160,908) | (7,127,959) | (6,461,580) | (5,418,828) | (4,597,264) | (3,779,720) | (2,966,081) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 54,348,968 | $ 49,526,092 | $ 44,514,459 | $ 41,688,729 | $ 39,691,894 | $ 36,691,894 | $ 36,539,110 | $ 35,730,669 | $ 33,410,822 |
| Contributions as a percentage of covered payroll | 19.00% | 16.92% | 16.09% | 17.10% | 16.28% | 14.77% | 12.58% | 10.58% | 8.88% |

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

## SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
## SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
## FOR THE YEAR ENDED JUNE 30, 2023

| | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 6,161,717 | $ 4,934,620 | $ 3,868,412 | $ 3,614,119 | $ 3,150,790 | $ 2,632,366 | $ 2,267,700 | $ 1,766,873 | $ 1,592,152 |
| Contributions in relation to the contractually required contribution* | (6,161,717) | (4,934,620) | (3,868,412) | (3,614,119) | (3,150,790) | (2,632,366) | (2,267,700) | (1,766,873) | (1,592,152) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 24,138,719 | $ 21,535,496 | $ 18,685,566 | $ 18,323,682 | $ 17,442,935 | $ 16,945,544 | $ 16,335,975 | $ 14,903,270 | $ 13,260,708 |
| Contributions as a percentage of covered payroll | 25.53% | 22.91% | 20.70% | 19.72% | 18.06% | 15.53% | 13.88% | 11.86% | 12.01% |

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

## NOTE 1 – PURPOSE OF SCHEDULES

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

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

**Schedule of the District Contributions for OPEB**
This 10-year schedule is not required to be presented as there was no actuarially determined contribution, nor any contribution requirement established by statute or contract.

**Changes in Benefit Terms**
There were no changes in benefit terms since the previous valuations for OPEB.

**Changes in Assumptions**
The discount rate changed from 5.34% to 5.44% since the previous measurement for OPEB.

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

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

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

**Changes in Assumptions**
There were no changes in economic assumptions since the previous valuations for CalSTRS. The discount rate changed from 7.15% to 6.90% and the inflation rate changed from 2.50% to 2.30% since the previous measurement for CalPERS.

## NOTE 1 – PURPOSE OF SCHEDULES (continued)

**Schedule of District Contributions**

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

## NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2023, the District incurred no excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

# SUPPLEMENTARY INFORMATION

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED JUNE 30, 2023**

| Federal Grantor/Pass-Through Grantor/Program or Cluster | AL Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---|---|---|
| U. S. DEPARTMENT OF EDUCATION: | | | |
| *Passed through California Department of Education:* | | | |
| Title I, Part A, Basic Grants Low-Income and Neglected | 84.010 | 14329 | $ 2,135,614 |
| Title I, Migrant Education | 84.011 | 14326 | 334,406 |
| Title II, Part A, Supporting Effective Instruction Local Grants | 84.367 | 14341 | 259,101 |
| Title III | | | |
| Title III, English Learner Student Program | 84.365 | 14346 | 195,593 |
| Title III, Immigrant Education Program | 84.365 | 15146 | 31,359 |
| Subtotal Title III | | | 226,952 |
| Title IV, Part A, Student Support and Academic Enrichment Grants | 84.424 | 15396 | 180,600 |
| Special Education Cluster | | | |
| IDEA Basic Local Assistance Entitlement, Part B, Sec 611 | 84.027 | 13379 | 1,556,625 |
| IDEA Local Assistance, Part B, Sec 611, Private School ISPs | 84.027 | 10115 | 1,379 |
| ARP IDEA Part B, Sec 611, Local Assistance Entitlement | 84.027 | 15638 | 38,045 |
| Subtotal Special Education Cluster | | | 1,596,049 |
| Strengthening Career and Technical Education for the 21st Century (Perkins V) | 84.048 | 14894 | 250,579 |
| COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants: **[1]** | | | |
| Elementary and Secondary School Emergency Relief II (ESSER II) Fund | 84.425 | 15547 | 5,168,323 |
| Elementary and Secondary School Emergency Relief III (ESSER III) Fund | 84.425 | 15559 | 4,582,547 |
| Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss | 84.425U | 10155 | 620,592 |
| Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve | 84.425 | 15618 | 53,710 |
| Expanded Learning Opportunities (ELO) Grant GEER II | 84.425 | 15619 | 147,357 |
| Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs | 84.425 | 15620 | 246,356 |
| Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss | 84.425 | 15621 | 919,476 |
| Subtotal Education Stabilization Fund Discretionary Grants | | | 11,738,361 |
| **Total U. S. Department of Education** | | | 16,721,662 |
| | | | |
| U. S. DEPARTMENT OF AGRICULTURE: | | | |
| *Passed through California Department of Education:* | | | |
| Child Nutrition Cluster **[1]** | | | |
| School Breakfast Program - Needy | 10.553 | 13526 | 1,870,442 |
| National School Lunch Program | 10.555 | 13391 | 3,865,440 |
| USDA Commodities **[2]** | 10.555 | * | 357,810 |
| Summer Food Service Program for Children | 10.559 | 13004 | 3,965 |
| Subtotal Child Nutrition Cluster | | | 6,097,657 |
| Forest Reserve Funds | 10.665 | 10044 | 439 |
| **Total U. S. Department of Agriculture** | | | 6,098,096 |
| **Total Federal Expenditures** | | | $ 22,819,758 |

**[1]** - Major Program
**[2]** - In-Kind Contribution
***** - Pass-Through Entity Identifying 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, 2023**

| | Second Period Report | Annual Report |
|---|---|---|
| SCHOOL DISTRICT | | |
| Ninth through Twelfth | | |
| Regular ADA | 8,547.14 | 8,485.29 |
| Extended Year Special Education | 5.43 | 5.43 |
| Special Education - Nonpublic Schools | 0.63 | 0.72 |
| Total Ninth through Twelfth | 8,553.20 | 8,491.44 |
| TOTAL SCHOOL DISTRICT | 8,553.20 | 8,491.44 |

See accompanying note to supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**
**SCHEDULE OF INSTRUCTIONAL TIME**
**FOR THE YEAR ENDED JUNE 30, 2023**

| Grade Level | Minutes Requirement | 2022-23 Actual Minutes | Number of Days | Status |
|---|---|---|---|---|
| Grade 9 | 64,800 | 67,120 | 180 | Complied |
| Grade 10 | 64,800 | 67,120 | 180 | Complied |
| Grade 11 | 64,800 | 67,120 | 180 | Complied |
| Grade 12 | 64,800 | 67,120 | 180 | Complied |

See accompanying note to supplementary information.

## SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
## FOR THE YEAR ENDED JUNE 30, 2023

| | 2024 (Budget) | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| General Fund - Budgetary Basis** | | | | |
| Revenues And Other Financing Sources | $ 172,548,399 | $ 189,812,177 | $ 145,828,042 | $ 137,178,024 |
| Expenditures And Other Financing Uses | 173,311,678 | 156,778,344 | 144,983,599 | 122,434,118 |
| Net change in Fund Balance | $ (763,279) | $ 33,033,833 | $ 844,443 | $ 14,743,906 |
| Ending Fund Balance | $ 77,044,468 | $ 77,807,747 | $ 41,270,054 | $ 40,425,611 |
| Available Reserves* | $ 28,705,701 | $ 23,658,772 | $ 13,480,628 | $ 26,407,670 |
| Available Reserves As A Percentage Of Outgo | 16.56% | 15.09% | 9.30% | 21.57% |
| Long-term Liabilities | $ 303,423,366 | $ 307,977,771 | $ 269,600,082 | $ 248,446,713 |
| Average Daily Attendance At P-2*** | 8,346 | 8,553 | 8,442 | 8,386 |

The General Fund ending fund balance has increased by $37,382,136 over the past two years. However, the fiscal year 2023-24 budget projects a decrease of $763,279. 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 in each of the past three years but anticipates incurring an operating deficit during the 2023-24 fiscal year. Total long-term obligations have increased by $59,531,058 over the past two years.

Average daily attendance has increased by 167 ADA over the past two years. A decrease of 207 ADA is anticipated during the 2023-24 fiscal year.

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

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

***Due to the COVID-19 pandemic, Average Daily Attendance at P-2 was not reported in 2021. The ADA figure presented for 2021 is based on the budgeted amount in the 2020-21 Adopted Budget.

## SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED JUNE 30, 2023

| | General Fund | Deferred Maintenance Fund | Special Reserve Fund for Other Than Capital Outlay Projects |
|---|---|---|---|
| June 30, 2023, annual financial and budget report fund balance | $ 77,807,747 | $ 112,014 | $ 2,641,088 |
| Adjustments and reclassifications: | | | |
| Increase (decrease) in total fund balances: | | | |
| Fund balance transfer (GASB 54) | 2,753,102 | (112,014) | (2,641,088) |
| Net adjustments and reclassifications | 2,753,102 | (112,014) | (2,641,088) |
| June 30, 2023, audited financial statement fund balance | $ 80,560,849 | $ - | $ - |

See accompanying note to supplementary information.

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 year ended June 30, 2023, the District maintained three high schools, one continuation high school and the Mark Richardson Career Technical Education Center and Agriculture Farm.

**GOVERNING BOARD**

| Member | Office | Term Expires |
|---|---|---|
| Ms. Diana Perez | President | December 2026 |
| Dr. Jack Garvin, Ed. D. | Clerk | December 2024 |
| Ms. Amy Lopez | Member | December 2024 |
| Mr. Felicano Aguilar | Member | December 2026 |
| Mr. David Baskett | Member | December 2026 |

**DISTRICT ADMINISTRATORS**

Mr. Antonio Garcia
*Superintendent*

Mr. John Davis*
*Assistant Superintendent Curriculum/Instruction*

Mr. Kevin Platt
*Assistant Superintendent of Human Resources*

Ms. Yolanda Ortiz
*Assistant Superintendent of Business*

Ms. Michelle Coffin
*Director of Fiscal Services*

*Retired as of June 30, 2023. This position was subsequently filled by Krista Herrera.*

## NOTE 1 – PURPOSE OF SCHEDULES

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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

**Schedule of Average Daily Attendance (ADA)**

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

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

**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.

**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.

# OTHER INDEPENDENT AUDITORS' REPORTS

CHRISTY WHITE
Certified Public Accountants serving K-12 School Districts and Charter Schools throughout California

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Maria Joint Union High School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Santa Maria Joint Union High School District's basic financial statements, and have issued our report thereon dated October 30, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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

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**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

Christy White, Inc.

San Diego, California
October 30, 2023

# REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

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

**Report on Compliance for Each Major Federal Program**

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

We have audited Santa Maria Joint Union High School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Santa Maria Joint Union High School District's major federal programs for the year ended June 30, 2023. 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.

In our opinion, Santa Maria Joint Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Santa Maria Joint Union High School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Santa Maria Joint Union High School District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Santa Maria Joint Union High School District's federal programs.

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### *Auditor's Responsibilities for the Audit for Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Santa Maria Joint Union High School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Santa Maria Joint Union High School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Santa Maria Joint Union High School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Santa Maria Joint Union High School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Santa Maria Joint Union High School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

**Report on Internal Control Over Compliance (continued)**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Christy White, Inc.

San Diego, California
October 30, 2023

# REPORT ON STATE COMPLIANCE

Independent Auditors' Report

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

## Report on State Compliance

### *Opinion on State Compliance*

We have audited Santa Maria Joint Union High School District's compliance with the types of compliance requirements described in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Santa Maria Joint Union High School District's state programs for the fiscal year ended June 30, 2023, as identified below.

In our opinion, Santa Maria Joint Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the applicable state programs for the year ended June 30, 2023.

### *Basis for Opinion on State Compliance*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of Santa Maria Joint Union High School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on state compliance. Our audit does not provide a legal determination of Santa Maria Joint Union High School District's compliance with the compliance requirements referred to above.

### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Santa Maria Joint Union High School District's state programs.

***Auditor's Responsibilities for the Audit of State Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Santa Maria Joint Union High School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Santa Maria Joint Union High School District's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* and the K-12 Audit Guide, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Santa Maria Joint Union High School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Santa Maria Joint Union High School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Santa Maria Joint Union High School District's internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine Santa Maria Joint Union High School District's compliance with the state laws and regulations related to the following items:

| PROGRAM NAME | PROCEDURES PERFORMED |
|---|---|
| **Local Education Agencies Other Than Charter Schools** | |
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| Independent Study | Yes |
| Continuation Education | Yes |
| Instructional Time | Yes |
| Instructional Materials | Yes |
| Ratio of Administrative Employees to Teachers | Yes |
| Classroom Teacher Salaries | Yes |
| Early Retirement Incentive | Not Applicable |
| Gann Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| Juvenile Court Schools | Not Applicable |
| Middle or Early College High Schools | Not Applicable |
| K-3 Grade Span Adjustment | Not Applicable |
| Transportation Maintenance of Effort | Yes |
| Apprenticeship: Related and Supplemental Instruction | Not Applicable |
| Comprehensive School Safety Plan | Yes |
| District of Choice | Not Applicable |
| Home to School Transportation Reimbursement | Yes |
| Independent Study Certification for ADA Loss Mitigation | Yes |

***Auditor's Responsibilities for the Audit of State Compliance (continued)***

| PROGRAM NAME | PROCEDURES PERFORMED |
|---|---|
| **School Districts, County Offices of Education, and Charter Schools** | |
| California Clean Energy Jobs Act | Yes |
| After/Before School Education and Safety Program | Not Applicable |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Independent Study-Course Based | Not Applicable |
| Immunizations | Not Applicable |
| Educator Effectiveness | Yes |
| Expanded Learning Opportunities Grant (ELO-G) | Yes |
| Career Technical Education Incentive Grant | Yes |
| Transitional Kindergarten | Not Applicable |
| | |
| **Charter Schools** | |
| Attendance; for charter schools | Not Applicable |
| Mode of Instruction; for charter schools | Not Applicable |
| Nonclassroom-Based Instruction/Independent Study; for charter schools | Not Applicable |
| Determination of Funding for Nonclassroom-Based Instruction; for charter schools | Not Applicable |
| Annual Instructional Minutes - Classroom Based | Not Applicable |
| Charter School Facility Grant Program | Not Applicable |

The term "Not Applicable" is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies or material weaknesses in internal control over compliance that we identified during the audit.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Finding #2023-001.

*Government Auditing Standards* requires the auditor to perform limited procedures on Santa Maria Joint Union High School District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Santa Maria Joint Union High School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Internal Control Over Compliance***

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of State Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
October 30, 2023

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**
**SUMMARY OF AUDITORS' RESULTS**
**FOR THE YEAR ENDED JUNE 30, 2023**

**FINANCIAL STATEMENTS**

| | |
|---|---|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None Reported |
| Non-compliance material to financial statements noted? | No |

**FEDERAL AWARDS**

| | |
|---|---|
| Internal control over major program: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None Reported |
| Type of auditors' report issued: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)? | No |
| Identification of major programs: | |

| AL Number(s) | Name of Federal Program or Cluster |
|---|---|
| 84.425, 84.425U | Education Stabilization Funds Discretionary Grants |
| 10.553, 10.555, 10.559 | Child Nutrition Cluster |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $ 750,000 |
| Auditee qualified as low-risk auditee? | Yes |

**STATE AWARDS**

| | |
|---|---|
| Internal control over state programs: | |
| Material weaknesses identified? | No |
| Significant deficiency(ies) identified? | None Reported |
| Any audit findings disclosed that are required to be reported in accordance with *2022-23 Guide for Annual Audits of California K-12 Local Education Agencies* ? | Yes |
| Type of auditors' report issued on compliance for state programs: | Unmodified |

| **FIVE DIGIT CODE** | **AB 3627 FINDING TYPE** |
|---|---|
| 20000 | Inventory of Equipment |
| 30000 | Internal Control |

There were no financial statement findings for the year ended June 30, 2023.

| FIVE DIGIT CODE | AB 3627 FINDING TYPE |
|---|---|
| 50000 | Federal Compliance |

There were no federal award findings or questioned costs for the year ended June 30, 2023.

| FIVE DIGIT CODE | AB 3627 FINDING TYPE |
|---|---|
| 10000 | Attendance |
| 40000 | State Compliance |
| 42000 | Charter School Facilities Programs |
| 43000 | Apprenticeship: Related and Supplemental Instruction |
| 60000 | Miscellaneous |
| 61000 | Classroom Teacher Salaries |
| 62000 | Local Control Accountability Plan |
| 70000 | Instructional Materials |
| 71000 | Teacher Misassignments |
| 72000 | School Accountability Report Card |

**FINDING #2023-001: CLASSROOM TEACHER SALARIES (61000)**

**Criteria:** As set forth in Education Code section 41372, a high school district must expend a minimum of 50% of the District's current expenses of education towards salaries and benefits of classroom teachers.

**Condition:** For the year ended June 30, 2023, the District did not meet the minimum percentage requirement of 50%. As shown in the SACS Form CEA, the District spent only 49.14% of current education expenses on classroom teacher salaries and benefits for the year ended June 30, 2023.

**Effect:** The District's current expense of education for the year ended June 30, 2023, was $142,225,254 and the total salaries and benefits for classroom teachers was $69,885,220. The District was below the minimum required percentage of 50% by 0.86%, which calculates out to a deficiency of $1,223,137.

**Cause:** The District incurred additional expenses in the General Fund to address the health and safety requirements of the COVID-19 Pandemic using one-time funding sources.

**Questioned Costs:** The questioned costs are the deficiency of $1,223,137.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** We recommend that the District monitor their expenses towards salaries and benefits of classroom teachers against their total current education expenses in future year to ensure compliance with the minimum requirement. The District should also consider requesting an exemption from the County Superintendent if certain criteria outlined under Education Code 41372 can be demonstrated.

**Corrective Action Plan:** Management concurs that the calculation for Classroom Teacher Salaries as a percentage of total current expense indicates that the District was out of compliance for the year ended June 30, 2023. An Application for Exemption from the Required Expenditures for Classroom Teachers' Salaries will be submitted in January 2024 to the County Superintended of Schools based on salary and benefits comparison of classroom teacher salaries paid in excess of those paid by other comparable school districts. The District will monitor one-time expenditures related to COVID-19 funding more carefully to endeavor to maintain compliance with this requirement in future years.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT**
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**
**FOR THE YEAR ENDED JUNE 30, 2023**

There were no findings or questioned costs for the year ended June 30, 2022.