Santa Maria Joint Union High School District

Audit Report

June 30, 2018

San Diego

Los Angeles

San Francisco Bay Area

christy white associates

A PROFESSIONAL ACCOUNTANCY CORPORATION

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

Licensed by the California State Board of Accountancy

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Maria Joint Union High School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Santa Maria Joint Union High School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Maria Joint Union High School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 10 to the financial statements, in 2018 Santa Maria Joint Union High School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Santa Maria Joint Union High School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is 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.

Supplementary Information, continued

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018 on our consideration of Santa Maria Joint Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Santa Maria Joint Union High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Maria Joint Union High School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
November 28, 2018

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

INTRODUCTION

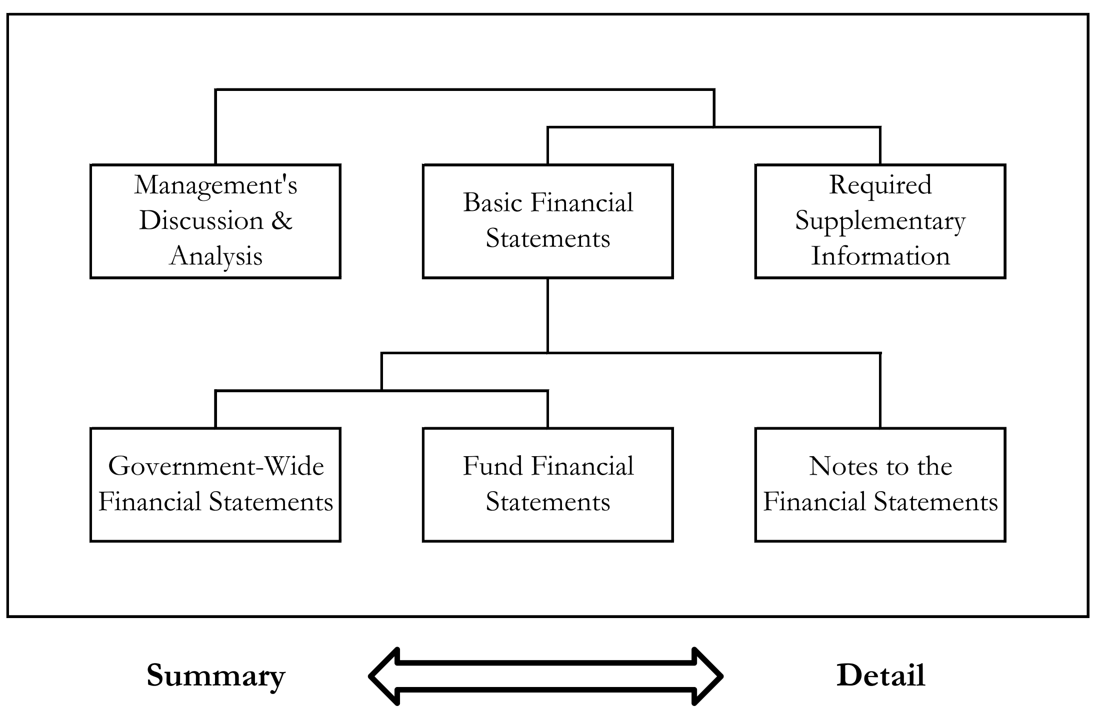
This discussion and analysis of Santa Maria Joint Union High School District (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was $20,543,727 at June 30, 2018. This was an increase of $165,079 from the prior year after restatement.
- Overall revenues were $114,575,813 which exceeded expenses of $114,410,734.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



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

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

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

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

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

    - **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

Government-Wide Statements

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

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

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was $20,543,727 at June 30, 2018, as reflected in the table below. Of this amount, $(85,307,741) 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		
	2018	2017	Net Change
ASSETS			
Current and other assets	$ 103,455,036	$ 64,697,802	$ 38,757,234
Capital assets	155,125,171	143,747,223	11,377,948
Total Assets	258,580,207	208,445,025	50,135,182
DEFERRED OUTFLOWS OF RESOURCES	36,679,385	25,615,410	11,063,975
LIABILITIES			
Current liabilities	18,471,181	14,032,395	4,438,786
Long-term liabilities	245,416,841	182,681,345	62,735,496
Total Liabilities	263,888,022	196,713,740	67,174,282
DEFERRED INFLOWS OF RESOURCES	10,827,843	9,089,024	1,738,819
NET POSITION			
Net investment in capital assets	78,569,373	79,102,659	(533,286)
Restricted	27,282,095	21,071,916	6,210,179
Unrestricted	(85,307,741)	(71,916,904)	(13,390,837)
Total Net Position	$ 20,543,727	$ 28,257,671	$ (7,713,944)

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		
	2018	**2017**	**Net Change**
REVENUES			
Program revenues			
Charges for services	$ 893,758	$ 881,740	$ 12,018
Operating grants and contributions	15,942,220	18,735,409	(2,793,189)
General revenues			
Property taxes	46,986,056	39,174,335	7,811,721
Unrestricted federal and state aid	49,476,217	50,264,502	(788,285)
Other	1,277,562	2,775,483	(1,497,921)
Total Revenues	114,575,813	111,831,469	2,744,344
EXPENSES			
Instruction	57,169,054	57,255,419	(86,365)
Instruction-related services	12,648,479	12,583,612	64,867
Pupil services	13,525,161	12,960,371	564,790
General administration	5,245,845	4,924,665	321,180
Plant services	13,209,387	10,942,989	2,266,398
Ancillary and community services	2,676,720	2,756,363	(79,643)
Debt service	4,549,021	3,579,305	969,716
Other outgo	819,964	127,452	692,512
Depreciation	4,567,103	4,321,003	246,100
Total Expenses	114,410,734	109,451,179	4,959,555
Change in net position	165,079	2,380,290	(2,215,211)
Net Position - Beginning, as Restated*	20,378,648	25,877,381	(5,498,733)
Net Position - Ending	$ 20,543,727	$ 28,257,671	$ (7,713,944)

** Beginning Net Position was restated for the 2018 year only*

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			
	2018		2017	
Instruction	$	47,945,011	$	45,778,095
Instruction-related services		11,201,738		10,662,950
Pupil services		9,018,490		8,153,328
General administration		4,289,453		4,400,213
Plant services		12,938,412		10,320,578
Ancillary and community services		2,578,389		2,618,141
Debt service		4,549,021		3,579,305
Transfers to other agencies		487,139		417
Depreciation		4,567,103		4,321,003
Total Expenses	$	97,574,756	$	89,834,030

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 $95,087,448, which is more than last year's ending fund balance of $56,313,269. The District's General Fund had $213,857 less in operating revenues than expenditures for the year ended June 30, 2018. The District's Building Fund experienced a net increase in fund balance of $32,890,850 during the year ended June 30, 2018, primarily due to the receipt of $47,000,000 in Measure H2016 general obligation bond proceeds. In addition, the District's Bond Interest and Redemption Fund experienced a net increase in fund balance of $6,209,196 during the year ended June 30, 2018, which is partially due to the receipt of $2,846,533 in premium on bond issuance.

CURRENT YEAR BUDGET 2017-2018

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017-2018 the District had invested $155,125,171 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2018	**2017**	**Net Change**
CAPITAL ASSETS			
Land	$ 12,293,183	$ 10,643,402	$ 1,649,781
Construction in progress	18,169,203	17,536,938	632,265
Land improvements	20,844,322	19,492,934	1,351,388
Buildings & improvements	140,363,628	129,215,716	11,147,912
Furniture & equipment	20,690,527	19,526,822	1,163,705
Accumulated depreciation	(57,235,692)	(52,668,589)	(4,567,103)
Total Capital Assets	$ 155,125,171	$ 143,747,223	$ 11,377,948

Long-Term Debt

At year-end, the District had $245,416,841 in long-term debt, an increase of 34.3% from last year. One of the primary reasons for this increase is related to the issuance of $47,000,000 in Measure H2016 general obligation bonds during the year ended June 30, 2018 (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2018	**2017**	**Net Change**
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 140,055,640	$ 94,072,390	$ 45,983,250
Total certificates of participation	2,696,331	3,064,799	(368,468)
Early retirement incentive	10,000	32,498	(22,498)
Compensated absences	479,469	461,368	18,101
Net OPEB liability*	17,910,655	11,420,802	6,489,853
Net pension liability	94,011,329	78,942,945	15,068,384
Less: current portion of long-term debt	(9,746,583)	(5,313,457)	(4,433,126)
Total Long-term Liabilities	$ 245,416,841	$ 182,681,345	$ 62,735,496

**Net OPEB liability was restated as of July 1, 2017 in order to record the District's total OPEB liability in accordance with GASB Statement No. 75 which supersedes GASB Statement No. 45 for the year ended June 30, 2018.*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

The State's economy continues to be strong but a new governor could change the fiscal policy for the funding of public education, within the boundaries of Proposition 98. Past fiscal allocations had included higher than expected funding but on-going funding may not be as strong. The UCLA Anderson Forecast (June 2018) noted that the "era of ultra-low interest rates has passed and the economy is at full employment," which creates difficulty sustaining continued growth at the rate recently experienced. And, according to the California Legislative Analyst's Office, there are concerns about a possible mild recession.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The 2018-19 adopted State Budget fully funded the LCFF funding gap two years ahead of schedule.

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

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2018. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

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

All of these factors were considered in preparing the District's budget for the 2018-19 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, 2018

	Governmental Activities
ASSETS	
Cash and investments	$ 100,673,523
Accounts receivable	2,535,051
Inventory	212,437
Prepaid expenses	34,025
Capital assets, not depreciated	30,462,386
Capital assets, net of accumulated depreciation	124,662,785
Total Assets	258,580,207
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	35,362,652
Deferred amount on refunding	1,316,733
Total Deferred Outflows of Resources	36,679,385
LIABILITIES	
Accrued liabilities	7,277,776
Unearned revenue	1,446,822
Long-term liabilities, current portion	9,746,583
Long-term liabilities, non-current portion	245,416,841
Total Liabilities	263,888,022
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	8,901,321
Deferred inflows related to OPEB	1,926,522
Total Deferred Inflows of Resources	10,827,843
NET POSITION	
Net investment in capital assets	78,569,373
Restricted:	
Capital projects	7,609,183
Debt service	14,571,321
Educational programs	2,868,297
All others	2,233,294
Unrestricted	(85,307,741)
Total Net Position	$ 20,543,727

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, 2018

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	$ 57,169,054	$ -	$ 9,224,043	$ (47,945,011)
Instruction-related services				
Instructional supervision and administration	4,088,398	-	888,296	(3,200,102)
Instructional library, media, and technology	3,059,266	-	212,350	(2,846,916)
School site administration	5,500,815	-	346,095	(5,154,720)
Pupil services				
Home-to-school transportation	2,044,577	-	15,343	(2,029,234)
Food services	3,733,960	853,553	2,646,629	(233,778)
All other pupil services	7,746,624	-	991,146	(6,755,478)
General administration				
Centralized data processing	231,285	-	-	(231,285)
All other general administration	5,014,560	40,205	916,187	(4,058,168)
Plant services	13,209,387	-	270,975	(12,938,412)
Ancillary services	2,676,720	-	98,331	(2,578,389)
Interest on long-term debt	4,549,021	-	-	(4,549,021)
Other outgo	819,964	-	332,825	(487,139)
Depreciation (unallocated)	4,567,103	-	-	(4,567,103)
Total Governmental Activities	$ 114,410,734	$ 893,758	$ 15,942,220	(97,574,756)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				35,439,624
Property taxes, levied for debt service				11,476,499
Property taxes, levied for other specific purposes				69,933
Federal and state aid not restricted for specific purposes				49,476,217
Interest and investment earnings				615,102
Interagency revenues				2,400
Miscellaneous				660,060
Subtotal, General Revenue				97,739,835
CHANGE IN NET POSITION				165,079
Net Position - Beginning, as Restated				20,378,648
Net Position - Ending				$ 20,543,727

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 15,022,494	$ 59,977,002	$ 15,658,826	$ 9,236,057	$ 99,894,379
Accounts receivable	1,807,782	228,310	51,800	444,008	2,531,900
Due from other funds	188,501	-	-	70,153	258,654
Stores inventory	204,847	-	-	7,590	212,437
Prepaid expenditures	25,920	-	-	8,105	34,025
Total Assets	$ 17,249,544	$ 60,205,312	$ 15,710,626	$ 9,765,913	$ 102,931,395
LIABILITIES					
Accrued liabilities	$ 4,025,449	$ 2,080,425	$ -	$ 32,597	$ 6,138,471
Due to other funds	70,153	-	-	188,501	258,654
Unearned revenue	1,446,822	-	-	-	1,446,822
Total Liabilities	5,542,424	2,080,425	-	221,098	7,843,947
FUND BALANCES					
Nonspendable	245,767	-	-	15,695	261,462
Restricted	2,868,297	58,124,887	15,710,626	9,529,120	86,232,930
Assigned	3,552,514	-	-	-	3,552,514
Unassigned	5,040,542	-	-	-	5,040,542
Total Fund Balances	11,707,120	58,124,887	15,710,626	9,544,815	95,087,448
Total Liabilities and Fund Balances	$ 17,249,544	$ 60,205,312	$ 15,710,626	$ 9,765,913	$ 102,931,395

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, 2018

Total Fund Balance - Governmental Funds		$ 95,087,448
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	$ 212,360,863	
Accumulated depreciation	(57,235,692)	155,125,171
Deferred amount on refunding:		
In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:		1,316,733
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:		(1,139,305)
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	$ 140,055,640	
Total certificates of participation	2,696,331	
Early retirement incentive	10,000	
Compensated absences	479,469	
Net OPEB liability	17,910,655	
Net pension liability	94,011,329	(255,163,424)

(continued on the following page)

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, continued
JUNE 30, 2018

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	$ 35,362,652	
Deferred inflows of resources related to pensions	(8,901,321)	26,461,331
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 inflows of resources related to OPEB amounted to:		(1,926,522)
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:		782,295
Total Net Position - Governmental Activities		$ 20,543,727

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 82,170,462	$ -	$ -	$ -	$ 82,170,462
Federal sources	3,743,612	-	-	2,746,312	6,489,924
Other state sources	8,959,391	-	98,216	211,984	9,269,591
Other local sources	3,828,901	345,299	11,412,829	3,036,130	18,623,159
Total Revenues	98,702,366	345,299	11,511,045	5,994,426	116,553,136
EXPENDITURES					
Current					
Instruction	56,675,788	-	-	-	56,675,788
Instruction-related services					
Instructional supervision and administration	4,058,439	-	-	-	4,058,439
Instructional library, media, and technology	2,900,469	-	-	-	2,900,469
School site administration	5,309,107	-	-	-	5,309,107
Pupil services					
Home-to-school transportation	1,924,829	-	-	-	1,924,829
Food services	157	-	-	3,638,097	3,638,254
All other pupil services	7,455,987	-	-	-	7,455,987
General administration					
Centralized data processing	215,176	-	-	-	215,176
All other general administration	4,559,659	-	-	219,565	4,779,224
Plant services	11,282,677	15,476	-	-	11,298,153
Facilities acquisition and maintenance	952,487	14,158,973	-	2,141,009	17,252,469
Ancillary services	2,684,145	-	-	-	2,684,145
Transfers to other agencies	539,964	-	-	-	539,964
Debt service					
Principal	283,099	-	4,415,000	85,369	4,783,468
Interest and other	74,240	280,000	3,733,382	22,396	4,110,018
Total Expenditures	98,916,223	14,454,449	8,148,382	6,106,436	127,625,490
Excess (Deficiency) of Revenues					
Over Expenditures	(213,857)	(14,109,150)	3,362,663	(112,010)	(11,072,354)
Other Financing Sources					
Other sources	-	47,000,000	2,846,533	-	49,846,533
Net Financing Sources	-	47,000,000	2,846,533	-	49,846,533
NET CHANGE IN FUND BALANCE	(213,857)	32,890,850	6,209,196	(112,010)	38,774,179
Fund Balance - Beginning	11,920,977	25,234,037	9,501,430	9,656,825	56,313,269
Fund Balance - Ending	$ 11,707,120	$ 58,124,887	$ 15,710,626	$ 9,544,815	$ 95,087,448

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, 2018

Net Change in Fund Balances - Governmental Funds		$	38,774,179
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:	$	15,945,051	
Depreciation expense:		(4,567,103)	11,377,948
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:			4,783,468
Debt proceeds:			
In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:			(49,846,533)
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:			(217,186)
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:			49,900
Accreted interest on long-term debt:			
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.			(1,029,884)

(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:	(18,101)
Other expenditures relating to prior periods:	
Certain expenditures recognized in governmental funds relate to prior periods. Typical examples are payments on structured legal settlements or retirement incentives paid over time. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations were first incurred, so they must not be recognized again in the current period. Expenditures relating to prior periods for early retirement incentives were:	22,498
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:	(537,352)
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:	(3,599,520)
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:	478,167
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:	(72,505)
Change in Net Position of Governmental Activities	$ 165,079

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
	Internal Service Fund
	Self-Insurance Fund
ASSETS	
Current assets	
Cash and investments	$ 779,144
Accounts receivable	3,151
Total current assets	782,295
Total Assets	782,295
NET POSITION	
Restricted	782,295
Total Net Position	$ 782,295

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, 2018

	Governmental Activities
	Internal Service Fund
	Self-Insurance Fund
OPERATING REVENUE	
Charges for services	$ 828,786
Other local revenues	8,447
Total operating revenues	837,233
OPERATING EXPENSE	
Professional services	912,751
Total operating expenses	912,751
Operating loss	(75,518)
NON-OPERATING REVENUES	
Interest income	3,013
Total non-operating revenues	3,013
CHANGE IN NET POSITION	(72,505)
Net Position - Beginning	854,800
Net Position - Ending	$ 782,295

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, 2018

		Governmental Activities
		Internal Service Fund
		Self-Insurance Fund
Cash flows from operating activities		
Cash received from user charges	$	837,404
Cash paid from assessments made from other funds		(912,751)
Net cash used for operating activities		(75,347)
Cash flows from investing activities		
Interest received		3,013
Net cash provided by investing activities		3,013
NET DECREASE IN CASH AND CASH EQUIVALENTS		(72,334)
CASH AND CASH EQUIVALENTS		
Beginning of year		851,478
End of year	$	779,144
Reconciliation of operating loss to cash used for operating activities		
Operating loss	$	(75,518)
Changes in assets and liabilities:		
Decrease in accounts receivable		171
Net cash used for operating activities	$	(75,347)

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Trust Fund		Agency Fund	
	Retiree Benefit Fund		Student Body Fund	
ASSETS				
Cash and investments	$	1,694,713	$	1,307,514
Total Assets		1,694,713	$	1,307,514
LIABILITIES				
Accrued liabilities		2,389	$	-
Due to student groups		-		1,307,514
Total Liabilities		2,389	$	1,307,514
NET POSITION				
Restricted		1,692,324		
Total Net Position	$	1,692,324		

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Trust Fund
	Retiree Benefit Fund
ADDITIONS	
Contributions	$ 1,028,751
Investment earnings	80,600
Total Additions	1,109,351
DEDUCTIONS	
Benefit payments	504,595
Administrative expense	18,112
Total Deductions	522,707
CHANGE IN NET POSITION	586,644
Net Position - Beginning	1,105,680
Net Position - Ending	$ 1,692,324

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, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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

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

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

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

Major Governmental Funds

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds

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

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

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

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

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

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

Proprietary Funds

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fiduciary Funds

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

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

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

D. Basis of Accounting – Measurement Focus

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

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

Investments

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

Inventories

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

Capital Assets

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

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

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

Interfund Balances

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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, 2016
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Premiums and Discounts

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

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

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

I. Property Tax

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 75 for the year ended June 30, 2018.

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

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This standard's primary objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 85 for the year ended June 30, 2018.

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

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has not determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Governmental Activities	Fiduciary Funds
Investment in county treasury	$ 99,177,873	$ 638,146	$ 99,816,019	$ -
Cash on hand and in banks	-	140,998	140,998	1,307,514
Cash with fiscal agent	701,506	-	701,506	-
Cash in revolving fund	15,000	-	15,000	-
Futuris trust	-	-	-	1,694,713
Total cash and investments	$ 99,894,379	$ 779,144	$ 100,673,523	$ 3,002,227

B. Policies and Practices

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

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

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

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

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $99,816,019 and an amortized book value of $100,500,414. The average weighted maturity for this pool is 448 days. The District's investments in Futuris do not have an average weighted maturity.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2018, the pooled investments in the County Treasury were rated at least A.

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

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

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

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

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

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

The District's fair value measurements at June 30, 2018 were as follows:

	Quoted Prices Level 1	Uncategorized	Total
Investment in county treasury	$ -	$ 99,816,019	$ 99,816,019
Futuris trust	1,694,713	-	1,694,713
Total fair market value of investments	$ 1,694,713	$ 99,816,019	$ 101,510,732

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 consisted of the following:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal Government						
Categorical aid	$ 526,992	$ -	$ -	$ 370,710	$ -	$ 897,702
State Government						
Apportionment	577,744	-	-	-	-	577,744
Categorical aid	95,879	-	-	30,792	-	126,671
Lottery	323,563	-	-	-	-	323,563
Local Government						
Other local sources	283,604	228,310	51,800	42,506	3,151	609,371
Total	$ 1,807,782	$ 228,310	$ 51,800	$ 444,008	$ 3,151	$ 2,535,051

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	$ 10,643,402	$ 1,649,781	$ -	$ 12,293,183
Construction in progress	17,536,938	14,091,657	13,459,392	18,169,203
Total Capital Assets not Being Depreciated	28,180,340	15,741,438	13,459,392	30,462,386
Capital assets being depreciated				
Land improvements	19,492,934	1,351,388	-	20,844,322
Buildings & improvements	129,215,716	11,147,912	-	140,363,628
Furniture & equipment	19,526,822	1,163,705	-	20,690,527
Total Capital Assets Being Depreciated	168,235,472	13,663,005	-	181,898,477
Less Accumulated Depreciation				
Land improvements	7,023,436	971,999	-	7,995,435
Buildings & improvements	31,042,345	2,700,028	-	33,742,373
Furniture & equipment	14,602,808	895,076	-	15,497,884
Total Accumulated Depreciation	52,668,589	4,567,103	-	57,235,692
Governmental Activities				
Capital Assets, net	$ 143,747,223	$ 24,837,340	$ 13,459,392	$ 155,125,171

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2018 were as follows:

Due To Other Funds	Due From Other Funds: General Fund	Due From Other Funds: Non-Major Governmental Funds	Due From Other Funds: Total
General Fund	$ -	$ 70,153	$ 70,153
Non-Major Governmental Funds	188,501	-	188,501
Total Due From Other Funds	$ 188,501	$ 70,153	$ 258,654

Due from the Cafeteria Fund to the General Fund for allocation of indirect costs and OPEB contributions.	$ 188,501
Due from the General Fund to the Special Reserve Fund for Capital Outlay Projects to move AB 1290 RDA property taxes.	69,933
Due from the General Fund to the Cafeteria Fund for reimbursement of costs.	220
Total	$ 258,654

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	$ 1,599,462	$ -	$ 6,532	$ -	$ 1,605,994
Construction	140,429	2,080,425	-	-	2,220,854
Vendors payable	2,269,471	-	20,252	-	2,289,723
Sales tax payable	16,087	-	5,813	-	21,900
Unmatured interest	-	-	-	1,139,305	1,139,305
Total	$ 4,025,449	$ 2,080,425	$ 32,597	$ 1,139,305	$ 7,277,776

NOTE 7 – UNEARNED REVENUE

Unearned revenue in the General Fund at June 30, 2018 amounted to $1,446,822, which consists of $151,548 in federal sources and $1,295,274 in state sources.

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2018 consisted of the following:

	Restated Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 83,049,253	$ 47,000,000	$ 4,415,000	$ 125,634,253	$ 8,900,000
Unamortized premium	5,298,468	2,846,533	478,167	7,666,834	442,937
Accreted interest	5,724,669	1,029,884	-	6,754,553	-
Total general obligation bonds	94,072,390	50,876,417	4,893,167	140,055,640	9,342,937
Certificates of participation	3,064,799	-	368,468	2,696,331	393,646
Early retirement incentive	32,498	-	22,498	10,000	10,000
Compensated absences	461,368	18,101	-	479,469	-
Net OPEB liability	19,299,825	-	1,389,170	17,910,655	-
Net pension liability	78,942,945	15,068,384	-	94,011,329	-
Total	$ 195,873,825	$ 65,962,902	$ 6,673,303	$ 255,163,424	$ 9,746,583

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

A. Compensated Absences

Total unpaid employee compensated absences as of amounted to $479,469. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Certificates of Participation

The annual requirements to amortize the certificates of participation outstanding at June 30, 2018 are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 393,646	$ 84,458	$ 478,104
2020	413,601	71,504	485,105
2021	444,290	57,814	502,104
2022	479,009	43,095	522,104
2023	509,825	27,279	537,104
2024	455,960	11,144	467,104
Total	$ 2,696,331	$ 295,294	$ 2,991,625

NOTE 8 – LONG-TERM DEBT (continued)

C. General Obligation Bonds

The outstanding general obligation bonded debt of the District as of June 30, 2018 is as follows:

Series	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2017	Additions	Deductions	Bonds Outstanding June 30, 2018
Election 2000, Series B	2025	2.00% - 4.38%	$ 12,000,000	$ 2,200,000	$ -	$ -	$ 2,200,000
Election 2004, Series 2005	2031	2.00% - 5.01%	34,998,222	3,678,221	-	-	3,678,221
Election 2004, Series 2013	2038	2.00% - 5.35%	14,999,873	13,059,873	-	320,000	12,739,873
2013 Refunding	2027	4.00% - 5.00%	26,820,000	24,415,000	-	2,375,000	22,040,000
Election 2004, Series 2014	2038	3.00% - 5.00%	28,996,159	28,996,159	-	-	28,996,159
2015 Refunding	2021	1.46%	860,000	830,000	-	140,000	690,000
2016 Refunding	2021	1.79%	10,065,000	9,870,000	-	1,580,000	8,290,000
Election 2016, Series 2017	2043	2.00% - 5.00%	47,000,000	-	47,000,000	-	47,000,000
				$ 83,049,253	$ 47,000,000	$ 4,415,000	$ 125,634,253

The annual requirements to amortize the Election 2000, Series B general obligation bonds outstanding at June 30, 2018, are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ -	$ 123,750	$ 123,750
2020	-	123,750	123,750
2021	-	123,750	123,750
2022	-	123,750	123,750
2023	660,000	123,750	783,750
2024 - 2025	1,540,000	132,188	1,672,188
Total	$ 2,200,000	$ 750,938	$ 2,950,938

The annual requirements to amortize the Election 2004, Series 2005 general obligation bonds outstanding at June 30, 2018, are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ -	$ -	$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024 - 2028	1,084,038	3,420,962	4,505,000
2029 - 2031	2,594,183	9,440,816	12,034,999
Total	$ 3,678,221	$ 12,861,778	$ 16,539,999

NOTE 8 – LONG-TERM DEBT (continued)

C. General Obligation Bonds (continued)

The annual requirements to amortize the Election 2004, Series 2013 general obligation bonds outstanding at June 30, 2018 are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ -	421,250	$ 421,250
2020	-	421,250	421,250
2021	-	421,250	421,250
2022	-	421,250	421,250
2023	-	421,250	421,250
2024 - 2028	-	2,106,250	2,106,250
2029 - 2033	5,375,000	1,974,250	7,349,250
2034 - 2038	7,364,873	152,500	7,517,373
Total	$ 12,739,873	$ 6,339,250	$ 19,079,123

The annual requirements to amortize the 2013 Refunding general obligation bonds outstanding at June 30, 2018 are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 1,755,000	$ 972,600	$ 2,727,600
2020	1,525,000	928,725	2,453,725
2021	1,780,000	867,725	2,647,725
2022	1,845,000	796,525	2,641,525
2023	2,315,000	733,600	3,048,600
2024 - 2027	12,820,000	1,700,000	14,520,000
Total	$ 22,040,000	$ 5,999,175	$ 28,039,175

The annual requirements to amortize the Election 2004, Series 2014 general obligation bonds outstanding at June 30, 2018, are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 360,000	$ 1,050,750	$ 1,410,750
2020	355,000	1,032,875	1,387,875
2021	350,000	1,015,250	1,365,250
2022	550,000	992,750	1,542,750
2023	360,000	970,000	1,330,000
2024 - 2028	1,320,000	4,604,000	5,924,000
2029 - 2033	6,081,159	7,258,998	13,340,157
2034 - 2038	19,620,000	2,069,088	21,689,088
Total	$ 28,996,159	$ 18,993,711	$ 47,989,870

NOTE 8 – LONG-TERM DEBT (continued)

C. General Obligation Bonds (continued)

2015 Refunding Bonds

The District issued 2015 Refunding Bonds on December 1, 2015. The net proceeds received for the 2015 Refunding 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 2006 General Obligation Bonds that were 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 $43,874 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $42,965. As of June 30, 2017, the principal balance outstanding on the defeased debt was paid in full.

The annual requirements to amortize the 2015 Refunding Bonds outstanding at June 30, 2018, are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 230,000	$ 8,395	$ 238,395
2020	265,000	4,782	269,782
2021	195,000	1,424	196,424
Total	$ 690,000	$ 14,601	$ 704,601

2016 Refunding Bonds

The District issued 2016 Refunding Bonds on May 5, 2016. The net proceeds received for the 2016 Refunding 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 2006 General Obligation Bonds that were 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 $580,808 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $567,241. As of June 30, 2017, the principal balance outstanding on the defeased debt was paid in full.

The annual requirements to amortize the 2016 Refunding Bonds outstanding at June 30, 2018, are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 2,755,000	$ 123,734	$ 2,878,734
2020	3,160,000	70,795	3,230,795
2021	2,375,000	21,256	2,396,256
Total	$ 8,290,000	$ 215,785	$ 8,505,785

NOTE 8 – LONG-TERM DEBT (continued)

C. General Obligation Bonds (continued)

Election 2016, Series 2017

On August 8, 2017, the District issued the Election of 2016, Series 2017 bonds of the Measure H2016 bond authorization, which consisted of current interest bonds with an initial par amount of $47,000,00, with stated interest rates of 2.0% to 5.0% and maturing through August 1, 2042. At June 30, 2018, the annual requirements to amortize the general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 3,800,000	$ 1,714,239	$ 5,514,239
2020	3,415,000	1,643,506	5,058,506
2021	2,705,000	1,490,506	4,195,506
2022	-	1,422,881	1,422,881
2023	-	1,422,881	1,422,881
2024 - 2028	1,115,000	7,086,531	8,201,531
2029 - 2033	7,735,000	5,979,556	13,714,556
2034 - 2038	11,660,000	4,252,241	15,912,241
2039 - 2043	16,570,000	1,752,400	18,322,400
Total	$ 47,000,000	$ 26,764,741	$ 73,764,741

D. Early Retirement Incentive

During the year ended June 30, 2014, the District offered and entered into several early retirement incentive agreements for certificated employees. At June 30, 2018, the remaining balance was $10,000. The final payment on this agreement will be made during the year ended June 30, 2019.

E. Other Postemployment Benefits

The District's restated beginning net OPEB liability was $19,299,825 and decreased by $1,389,170 during the year ended June 30, 2018. The ending net OPEB liability at June 30, 2018 was $17,910,655. See Note 10 for additional information regarding the net OPEB liability.

F. Net Pension Liability

The District's beginning net pension liability was $78,942,945 and increased by $15,068,384 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was $94,011,329. See Note 11 for additional information regarding the net pension liability.

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2018:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	$ 15,000	$ -	$ -	$ -	$ 15,000
Stores inventory	204,847	-	-	7,590	212,437
Prepaid expenditures	25,920	-	-	8,105	34,025
Total non-spendable	245,767	-	-	15,695	261,462
Restricted					
Educational programs	2,868,297	-	-	-	2,868,297
Capital projects	-	58,124,887	-	7,295,826	65,420,713
Debt service	-	-	15,710,626	-	15,710,626
All others	-	-	-	2,233,294	2,233,294
Total restricted	2,868,297	58,124,887	15,710,626	9,529,120	86,232,930
Assigned					
Instructional materials	985,454	-	-	-	985,454
Site/department carryovers	415,374	-	-	-	415,374
Transportation/vehicle shop reserve	196,871	-	-	-	196,871
Site allocations	141,534	-	-	-	141,534
MAA carryover	103,234	-	-	-	103,234
Solar project	59,995	-	-	-	59,995
Miscellaneous grants and donations	43,049	-	-	-	43,049
MMRC advertising sponsorship	29,084	-	-	-	29,084
Special reserve	1,217,627	-	-	-	1,217,627
Deferred maintenance	360,292	-	-	-	360,292
Total assigned	3,552,514	-	-	-	3,552,514
Unassigned					
Reserve for economic uncertainties	2,963,413	-	-	-	2,963,413
Remaining unassigned	2,077,129	-	-	-	2,077,129
Total unassigned	5,040,542	-	-	-	5,040,542
Total	$ 11,707,120	$ 58,124,887	$ 15,710,626	$ 9,544,815	$ 95,087,448

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

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 this 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's contribution is currently based on a projected pay-as-you-go funding method, that is, benefits are payable when due. The District has accumulated assets the Futuris Public Entity Investment Trust that meets the criteria in paragraph 4 of GASB Statement 75.

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	41
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	736
Total number of participants**	777

*Information not provided
**As of the June 30, 2016 valuation date

F. Net OPEB Liability

The components of the net OPEB liability of the District at June 30, 2018, were as follows:

Total OPEB liability	$ 19,605,368
Plan fiduciary net position	(1,694,713)
District's net OPEB liability	$ 17,910,655
Plan fiduciary net position as a percentage of total OPEB liability	8.64%

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		
Blackrock Total Return - K	$ 135,064	7.97%
Guggenheim Investments Macro Opportunities Inst	137,248	8.10%
Guggenheim Investments Investment Grade Bond Fund	137,790	8.13%
Prudential Funds Total Return Bond CL Q	135,053	7.97%
Western Asset Core Plus Bond IS	133,939	7.90%
Mutual Fund - Domestic Equity		
Alger Funds Spectra Z	90,371	5.33%
All others	925,248	50.50%
Total fiduciary net position	$ 1,694,713	

Rate of Return
For the year ended, June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 5.51 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 net OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Economic assumptions:

Salary increases	3.00%
Investment rate of return	4.00%
Healthcare cost trend rates	6.00%

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

H. Actuarial Assumptions and Other Inputs (continued)

Non-economic assumptions:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on a review of plan experience during the period July 1, 2014 to June 30, 2016.

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Percentage of Portfolio	Assumed Gross Return
US Large Cap	40.000%	7.7950%
US Small Cap	20.000%	7.7950%
Long-Term Corporate Bonds	20.000%	5.2950%
Short-Term Corporate Bonds	10.000%	5.2950%
Short-Term Gov't Fixed	10.000%	3.2500%

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

I. Changes in Net OPEB Liability

	June 30, 2018
Total OPEB Liability	
Service Cost	$ 1,078,418
Interest on total OPEB liability	806,275
Changes of assumptions	(2,182,624)
Benefits payments	(502,206)
Net change in total OPEB liability	(800,137)
Total OPEB liability - beginning	20,405,505
Total OPEB liability - ending (a)	$ 19,605,368
Plan fiduciary net position	
Contributions - employer	$ 1,028,751
Net investment income	80,600
Benefit payments	(502,206)
Administrative expenses	(18,112)
Net change in plan fiduciary net position	589,033
Plan fiduciary net position - beginning	1,105,680
Plan fiduciary net position - ending (b)	$ 1,694,713
District's net OPEB liability - ending (a) - (b)	$ 17,910,655
Plan fiduciary net position as a percentage of the total OPEB liability	8.6%
Covered payroll	$ 54,629,260
District's net OPEB liability as a percentage of covered payroll	32.79%

The District has invoked Paragraph 244 of GASB Statement 75 for the transition due to cost constraints. Consequently, in order to determine the beginning total OPEB liability, a "roll-back" technique has been used.

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

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 (4.5 percent) or one percentage point higher (6.5 percent) than the current discount rate:

	1% Decrease (4.5%)	Valuation Discount Rate (5.5%)	1% Increase (6.5%)
Net OPEB liability	$ 19,335,388	$ 17,910,655	$ 16,597,352

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 (5.0 percent) or one percentage point higher (7.0 percent) than the current healthcare cost trend rate:

	1% Decrease (5.0%)	Valuation Trend Rate (6.0%)	1% Increase (7.0%)
Net OPEB liability	$ 16,755,191	$ 17,910,655	$ 19,123,476

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

For the fiscal year ended June 30, 2018, the District recognized net OPEB expense of $1,566,103. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ 10,072
Changes in assumptions	1,916,450
	$ 1,926,522

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

L. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (continued)

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

Year Ended June 30,	Deferred Inflows of Resources
2019	$ 268,692
2020	268,692
2021	268,692
2022	268,692
2023	266,174
2024	266,174
2025	266,174
2026	53,232
	$ 1,926,522

Prior periods of deferred outflows and deferred inflows of resources were not restated due to the fact that prior valuations were not rerun in accordance with Paragraph 244 of GASB Statement 75. It was determined the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified. In the future, gains and losses related to changes in net OPEB liability will be 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.

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	$ 63,567,718	$ 24,647,489	$ 8,390,216	$ 7,000,924
PERS Pension	30,443,611	10,715,163	511,105	4,649,790
Total	$ 94,011,329	$ 35,362,652	$ 8,901,321	$ 11,650,714

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 9.205% of their salary for fiscal year 2018, 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 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $5,418,828 for the year ended June 30, 2018.

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 $3,058,183 to CalSTRS.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$	63,567,718
State's proportionate share of the net pension liability associated with the District		37,606,431
Total	$	101,174,149

The net pension liability was measured as of June 30, 2017, 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, 2016 and rolling forward the total pension liability to June 30, 2017. 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, 2017, the District's proportion was .069 percent, which was an increase of .002 percent from its proportion measured as of June 30, 2016.

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, 2018, the District recognized pension expense of $7,000,924. In addition, the District recognized pension expense and revenue of $1,080,860 for support provided by the State. At June 30, 2018, 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	$ -	$ 1,692,985
Differences between expected and actual experience	235,080	1,108,723
Changes in assumptions	11,776,662	
Changes in proportion and differences between District contributions and proportionate share of contributions	7,216,919	5,588,508
District contributions subsequent to the measurement date	5,418,828	-
	$ 24,647,489	$ 8,390,216

The $5,418,828 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, 2019. 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
2019	$ 3,722,251	$ 2,773,019
2020	3,722,251	299,065
2021	3,722,251	1,212,266
2022	3,722,252	2,870,970
2023	2,169,829	1,234,896
2024	2,169,827	-
	$ 19,228,661	$ 8,390,216

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, 2016, and rolling forward the total pension liability to June 30, 2017 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, 2016 valuation were based on the results of an actuarial experience study for the period of July 1, 2010 to June 30, 2015.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
	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	$ 93,337,591	$ 63,567,718	$ 39,407,448

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 6.5% 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 2018 was 15.531% of annual payroll. Contributions to the plan from the District were $2,632,366 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $30,443,611 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 and rolling forward the total pension liability to June 30, 2017. 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, 2017, the District's proportion was .128 percent, which was an increase of .004 percent from its proportion measured as of June 30, 2016.

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2018, the District recognized pension expense of $4,649,790. At June 30, 2018, 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	$ 1,053,141	$ -
Differences between expected and actual experience	1,090,669	-
Changes in assumptions	4,446,768	358,436
Changes in proportion and differences between District contributions and proportionate share of contributions	1,492,219	152,669
District contributions subsequent to the measurement date	2,632,366	-
	$ 10,715,163	$ 511,105

The $2,632,366 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, 2019. 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
2019	$ 2,633,368	$ 511,105
2020	3,521,439	-
2021	2,504,690	-
2022	(576,700)	-
	$ 8,082,797	$ 511,105

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, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

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

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and 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*	Real Return Years 11+**
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100.0%		

*An expected inflation of 2.50% used for this period.
**An expected inflation of 3.00% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 44,792,307	$ 30,443,611	$ 18,540,166

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, 2018.

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, 2018.

C. Construction Commitments

As of June 30, 2018, the District had commitments with respect to unfinished capital projects of $10,927,051.

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, 2018, the deferred amount on refunding was $1,316,733.

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 at Note 11. At June 30, 2018, total deferred outflows related to pensions was $35,362,652 and total deferred inflows related to pensions was $8,901,321.

C. Other Postemployment Benefits

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 at Note 10. At June 30, 2018, total deferred inflows related to other postemployment benefits was $1,926,522.

NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the District's net OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	$ 28,257,671
Restatement	(7,879,023)
Net Position - Beginning, as Restated	$ 20,378,648

REQUIRED SUPPLEMENTARY INFORMATION

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 82,692,937	$ 82,137,655	$ 82,170,462	$ 32,807
Federal sources	4,544,828	5,050,342	3,743,612	(1,306,730)
Other state sources	7,000,570	9,180,141	8,959,391	(220,750)
Other local sources	2,791,384	3,393,908	3,818,957	425,049
Total Revenues	97,029,719	99,762,046	98,692,422	(1,069,624)
EXPENDITURES				
Certificated salaries	38,987,096	39,672,682	39,476,454	196,228
Classified salaries	16,257,887	16,364,977	16,346,790	18,187
Employee benefits	21,501,898	21,585,942	21,523,748	62,194
Books and supplies	6,821,549	10,456,150	6,577,116	3,879,034
Services and other operating expenditures	11,548,100	14,946,118	12,470,953	2,475,165
Capital outlay	756,576	1,444,740	1,281,359	163,381
Other outgo				
Excluding transfers of indirect costs	666,390	989,074	897,303	91,771
Transfers of indirect costs	(167,031)	(167,401)	(167,652)	251
Total Expenditures	96,372,465	105,292,282	98,406,071	6,886,211
Excess (Deficiency) of Revenues				
Over Expenditures	657,254	(5,530,236)	286,351	5,816,587
Other Financing Sources (Uses)				
Transfers out	(375,000)	(375,000)	(375,000)	-
Net Financing Sources (Uses)	(375,000)	(375,000)	(375,000)	-
NET CHANGE IN FUND BALANCE	282,254	(5,905,236)	(88,649)	5,816,587
Fund Balance - Beginning	10,217,850	10,217,850	10,217,850	-
Fund Balance - Ending	$ 10,500,104	$ 4,312,614	$ 10,129,201	$ 5,816,587

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

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

See accompanying note 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, 2018

		June 30, 2018
Total OPEB Liability		
Service Cost	$	1,078,418
Interest on total OPEB liability		806,275
Changes of assumptions		(2,182,624)
Benefits payments		(502,206)
Net change in total OPEB liability		(800,137)
Total OPEB liability - beginning		20,405,505
Total OPEB liability - ending (a)	$	19,605,368
Plan fiduciary net position		
Contributions - employer	$	1,028,751
Net investment income		80,600
Benefit payments		(502,206)
Administrative expenses		(18,112)
Net change in plan fiduciary net position		589,033
Plan fiduciary net position - beginning		1,105,680
Plan fiduciary net position - ending (b)	$	1,694,713
District's net OPEB liability - ending (a) - (b)	$	17,910,655
Plan fiduciary net position as a percentage of the total OPEB liability		8.6%
Covered payroll	$	54,629,260
District's net OPEB liability as a percentage of covered payroll		32.79%

See accompanying note to required supplementary information.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018
Actuarially determined contribution	$ 1,078,418
Contributions in relation to the actuarially determined contribution	(1,028,751)
Contribution deficiency (excess)	$ 49,667
Covered payroll	$ 54,629,260
Contributions as a percentage of covered payroll	1.88%

See accompanying note to required supplementary information.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INVESTMENT RETURNS - OPEB
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018
Annual money-weighted rate of return, net of investment expense	5.51%

See accompanying note to required supplementary information.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.069%	0.067%	0.078%	0.063%
District's proportionate share of the net pension liability	$ 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	37,606,431	30,961,012	27,801,318	22,170,742
Total	$ 101,174,149	$ 85,339,063	$ 80,366,890	$ 58,886,802
District's covered payroll	$ 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	174.0%	152.2%	157.3%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	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 note to required supplementary information.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.128%	0.124%	0.122%	0.125%
District's proportionate share of the net pension liability	$ 30,443,611	$ 24,564,894	$ 17,991,886	$ 14,228,748
District's covered payroll	$ 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	186.4%	164.8%	135.7%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	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 note to required supplementary information.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 5,418,828	$ 4,597,264	$ 3,779,720	$ 2,966,081
Contributions in relation to the contractually required contribution*	(5,418,828)	(4,597,264)	(3,779,720)	(2,966,081)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 37,683,716	$ 36,539,110	$ 35,730,669	$ 33,410,822
Contributions as a percentage of covered payroll	14.38%	12.58%	10.58%	8.88%

*Amounts do not include on-behalf contributions

See accompanying note to required supplementary information.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018

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

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

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
The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

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, 2018, 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, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA 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	$ 1,432,545
Title I, Migrant Education	84.011	14838	395,684
Title II, Part A, Teacher Quality	84.367	14341	169,463
Title III			
Title III, English Learner Student Program	84.365	14346	186,814
Title III, Immigrant Education Program	84.365	15146	19,181
Subtotal Title III			205,995
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,198,471
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	225,284
Title, Part G, Advanced Placement Test Fee Reimbursement	84.330B	14831	10,300
Total U. S. Department of Education			3,637,742
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster **[1]**			
School Breakfast Program - Needy	10.553	13526	710,916
National School Lunch Program	10.555	13391	1,812,622
USDA Commodities **[2]**	10.555	*	197,781
Summer Food Service Program for Children	10.559	13004	24,993
Subtotal Child Nutrition Cluster			2,746,312
Forest Reserve Funds	10.665	10044	424
Total U. S. Department of Agriculture			2,746,736
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	105,013
Total U. S. Department of Health & Human Services			105,013
Total Federal Expenditures			$ 6,489,491

[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, 2018

	Second Period Report	Annual Report
	68B28819	**DCF76A4D**
SCHOOL DISTRICT		
Ninth through Twelfth		
Regular ADA	7,428.63	7,366.75
Extended Year Special Education	8.33	8.33
Special Education - Nonpublic Schools	3.19	3.39
Total Ninth through Twelfth	7,440.15	7,378.47
TOTAL SCHOOL DISTRICT	7,440.15	7,378.47

See accompanying note to supplementary information.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	Minutes Requirement	2017-18 Actual Minutes	Number of Days	Status
Grade 9	64,800	69,740	180	Complied
Grade 10	64,800	69,740	180	Complied
Grade 11	64,800	69,740	180	Complied
Grade 12	64,800	69,740	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, 2018

	2019 (Budget)	2018	2017	2016
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	$ 106,800,616	$ 98,692,422	$ 95,422,261	$ 93,432,122
Expenditures And Other Financing Uses	105,363,654	98,781,071	95,930,679	88,449,755
Net change in Fund Balance	$ 1,436,962	$ (88,649)	$ (508,418)	$ 4,982,367
Ending Fund Balance	$ 11,566,163	$ 10,129,201	$ 10,217,849	$ 10,726,267
Available Reserves*	$ 8,452,100	$ 5,040,542	$ 4,451,445	$ 4,175,917
Available Reserves As A Percentage Of Outgo	8.02%	5.10%	4.64%	4.72%
Long-term Debt	$ 245,416,841	$ 255,163,424	$ 187,994,802	$ 183,856,675
Average Daily Attendance At P-2	7,753	7,440	7,396	7,431

The General Fund balance has decreased by $597,066 over the past two years. The fiscal year 2018-19 budget projects an increase of $1,436,962. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years but anticipates incurring an operating surplus during the 2018-19 fiscal year. Total long-term obligations have increased by $71,306,749 over the past two years.

Average daily attendance has increased by 9 ADA over the past two years. An increase of 313 ADA is anticipated during the 2018-19 fiscal year.

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

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

See accompanying note to supplementary information.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Building Fund	Self-Insurance Fund
June 30, 2018, annual financial and budget report fund balance	$ 10,129,201	$ 360,292	$ 1,217,627	$ 58,438,244	$ 772,899
Adjustments and reclassifications:					
Increase (decrease) in total fund balances:					
Adjustment for Section 125 Plan activity	-	-	-	-	9,396
Fair market value adjustment	-	-	-	(313,357)	-
Fund balance transfer (GASB 54)	1,577,919	(360,292)	(1,217,627)	-	-
Net adjustments and reclassifications	1,577,919	(360,292)	(1,217,627)	(313,357)	9,396
June 30, 2018, audited financial statement fund balance	$ 11,707,120	$ -	$ -	$ 58,124,887	$ 782,295

See accompanying note to supplementary information.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018

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

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 2017-18 school year, the District maintained three high schools and one continuation high school.

GOVERNING BOARD

Member	Office	Term Expires
Ms. Diana Perez	President	December 2018
Mr. Dominick Palera	Clerk	December 2018
Dr. Jack Garvin	Member	December 2020
Ms. Amy Lopez	Member	December 2020
Dr. Carol Karamitsos	Member	December 2018

DISTRICT ADMINISTRATORS

Dr. Mark Richardson
Superintendent

Mr. John Davis
Assistant Superintendent Curriculum/Instruction

Mr. Kevin Platt
Assistant Superintendent of Human Resources

Ms. Yolanda Ortiz
Assistant Superintendent of Business

Ms. Brenda Hoff*
Director of Fiscal Services

**Brenda Hoff retired in December 2017. In October 2017, the Board appointed Michelle Coffin as Director of Fiscal Services.*

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2018 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2018.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		$ 6,489,924
Medi-Cal Billing Option	93.778	(433)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$ 6,489,491

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2018, the District participated in the Longer Day incentive funding program. As of June 30, 2018, the District had not yet met its target funding.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This page lists any charter schools operating within the District's enrollment boundaries and displays information for each Charter School on whether or not the Charter School is included in the District audit. During the year ended June 30, 2018, there were no charter schools operating within the District's enrollment boundaries.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

OTHER INDEPENDENT AUDITORS' REPORTS

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

Licensed by the California State Board of Accountancy

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, 2018, and the related notes to the financial statements, which collectively comprise the Santa Maria Joint Union High School District's basic financial statements, and have issued our report thereon dated November 28, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Christy White Associates

San Diego, California
November 28, 2018

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

Licensed by the California State Board of Accountancy

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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited Santa Maria Joint Union High School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Santa Maria Joint Union High School District's major federal programs for the year ended June 30, 2018. Santa Maria Joint Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Santa Maria Joint Union High School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Santa Maria Joint Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Santa Maria Joint Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Christy White Associates

San Diego, California
November 28, 2018

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

Licensed by the California State Board of Accountancy

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

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

Report on State Compliance

We have audited Santa Maria Joint Union High School District's compliance with the types of compliance requirements described in the *2017-2018 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, 2018, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Santa Maria Joint Union High School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Santa Maria Joint Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on State Compliance

In our opinion, Santa Maria Joint Union High School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2018.

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 #2018-001. Our opinion on state compliance is not modified with respect to these matters.

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

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

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

Christy White Associates

San Diego, California
November 28, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

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:	

CFDA Number(s)	Name of Federal Program or Cluster
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?	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, 2018.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
50000	Federal Compliance

There were no audit findings or questioned costs related to federal awards during the year ended June 30, 2018.

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

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

Criteria: Students classified as free or reduced-price meal eligible (FRPM) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of *the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.*

Condition: One (1) out of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as FRPM did not have proper supporting documentation to justify their designation. The student in question was selected for NSLP Income Verification and changed to "Paid" status as a result of nonresponse to verification requests. Upon further review of 100% of the NSLP Income Verification sample selected for 2017-18, we identified a total of 27 students that were incorrectly classified.

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

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

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

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

UPP Audit Adjustment					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2	23,834			
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	17,875			
3	Audit Adjustment - Number of Enrollment	-			
4	Audit Adjustment - Number of Unduplicated Pupil Count	(27)			
5	Revised Adjusted Enrollment	23,834			
6	Revised Adjusted Unduplicated Pupil Count	17,848			
7	UPP calculated as of P-2	0.7500			
8	Revised UPP for audit finding	0.7488			
9	Charter Schools Only: Determinative School District Concentration Cap	-			
10	Revised UPP adjusted for Concentration Cap	0.7488			
LCFF Target Supplemental Grant Funding Audit Adjustment		**TK/K–3**	**4–6**	**7–8**	**9–12**
9	Supplemental and Concentration Grant ADA	-	-	-	7,475.51
10	Adjusted Base Grant per ADA	$ 7,941	$ 7,301	$ 7,518	$ 8,939
11	Target Supplemental Grant Funding calculated as of P-2	$ 10,023,538			
12	Revised Target Supplemental Grant Funding for audit finding	$ 10,007,500			
13	Target Supplemental Grant Funding audit adjustment	$ (16,038)			
LCFF Target Concentration Grant Funding Audit Adjustment					
14	Target Concentration Grant Funding calculated as of P-2	$ -			
15	Revised Target Concentration Grant Funding for audit finding	$ -			
16	Target Concentration Grant Funding audit adjustment	$ -			
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target					
18	Total Target Supplemental and Concentration audit adjustment	$ (16,038)			
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap					
19	Statewide Gap Funding Rate as of P-2	0.4296644273			
20	Estimated Cost of Unduplicated Pupil Count audit adjustment	$ (6,891)			

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

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

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

There were no audit findings issued for the year ended June 30, 2017.