

SANTA MARIA JOINT UNION
HIGH SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2012

christy  white
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

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

SANTA MARIA, CALIFORNIA

JUNE 30, 2012

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 2011-12 school year the District maintained three high schools and one continuation high school.

GOVERNING BOARD

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

DISTRICT ADMINISTRATORS

Dr. Doug Kimberly
Superintendent

Mr. John Davis
Assistant Superintendent Curriculum/Instruction

Tracy Marsh
Assistant Superintendent of Human Resources

Ms. Diane Bennett
Assistant Superintendent of Business

Ms. Brenda Hoff
Director of Fiscal Services

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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State Board of Accountancy

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Maria Joint Union High School District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Santa Maria Joint Union High School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Maria Joint Union High School District, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2012, on our consideration of Santa Maria Joint Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United State of America require that the required supplementary information, such as management’s discussion and analysis on pages 3 through 10, the budgetary comparison information on page 50, and the schedule of funding progress on page 51 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Santa Maria Joint Union High School District’s basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



San Diego, California
November 7, 2012

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

INTRODUCTION

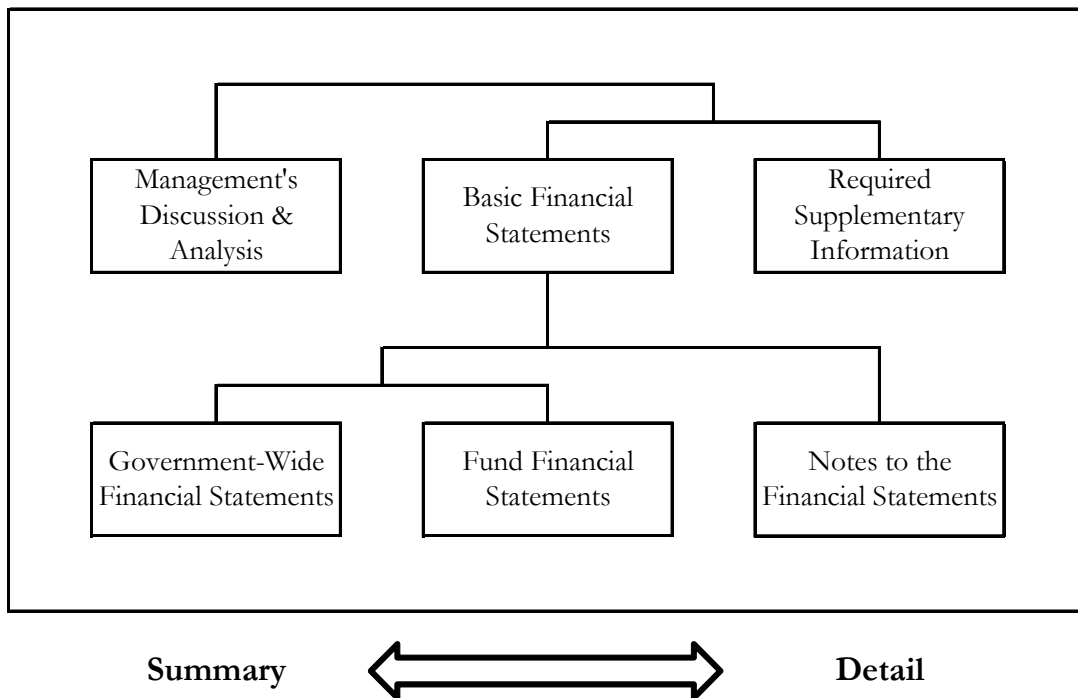
This discussion and analysis of Santa Maria Joint Union High School District (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets were \$84,908,826 at June 30, 2012. This was an increase of \$541,454 from the prior year.
- Overall revenues were \$74,558,192 which exceeded expenses by \$653,690.
- Total capital assets increased by \$1,285,875
- Outstanding long-term debt decreased by \$854,482.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

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

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

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
 - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.
 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

Government-Wide Statements

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

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

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The District's combined net assets were \$84,908,826 at June 30, 2012. Of this amount, \$2,213,129 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use those net assets for day-to-day operations.

	Governmental Activities		
	2012	2011	Net Change
ASSETS			
Current and other assets	\$ 43,803,907	\$ 46,914,646	\$ (3,110,739)
Capital assets	115,106,233	113,820,359	1,285,874
Total Assets	158,910,140	160,735,005	(1,824,865)
LIABILITIES			
Current liabilities	6,604,208	2,673,850	(3,930,358)
Long-term liabilities	67,397,106	73,806,019	6,408,913
Total Liabilities	74,001,314	76,479,869	2,478,555
NET ASSETS			
Invested in capital assets, net of related debt	66,697,464	67,666,295	(968,831)
Restricted	15,998,233	17,441,915	(1,443,682)
Unrestricted	2,213,129	(853,074)	3,066,203
Total Net Assets	\$ 84,908,826	\$ 84,255,136	\$ 653,690

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets

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

	Governmental Activities		
	2012	2011	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 1,208,964	\$ 1,251,569	\$ (42,605)
Operating grants and contributions	14,387,163	13,096,210	1,290,953
Capital grants and contributions	-	1,286,396	(1,286,396)
General revenues			
Property taxes	28,150,291	26,978,723	1,171,568
Unrestricted federal and state aid	26,779,874	28,855,247	(2,075,373)
Other	4,031,900	1,426,348	2,605,552
Total Revenues	74,558,192	72,894,493	1,663,699
EXPENSES			
Instruction	36,988,903	36,650,709	338,194
Instruction-related services	8,483,466	8,512,286	(28,820)
Pupil services	8,447,046	8,508,954	(61,908)
General administration	3,383,012	3,296,889	86,123
Plant services	8,307,486	7,996,032	311,454
Ancillary and community services	1,457,378	1,369,808	87,570
Debt service	2,647,441	2,773,699	(126,258)
Other Outgo	98,734	91,387	7,347
Depreciation	4,091,036	3,806,965	284,071
Total Expenses	73,904,502	73,006,729	897,773
Change in net assets	653,690	(112,236)	765,926
Net Assets - Beginning	84,255,136	84,367,372	(112,236)
Net Assets - Ending	\$ 84,908,826	\$ 84,255,136	\$ 653,690

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets (continued)

The cost of all of the District's governmental activities this year was \$73,904,502. The amount that the District's taxpayers ultimately financed for these activities through taxes was only \$28,150,291 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

	<u>Total cost of services</u>	<u>Net cost of services</u>
Instruction	\$ 36,988,903	\$ 30,687,948
Instruction-related services	8,483,466	6,424,169
Pupil services	8,447,046	2,989,898
General administration	3,383,012	2,826,676
Plant services	8,307,486	7,602,716
Ancillary and community services	1,457,378	-
Debt service	2,647,441	2,647,441
Transfers to other agencies	98,734	(357,460)
Depreciation	4,091,036	4,091,036
Total Expenses	<u>\$ 73,904,502</u>	<u>\$ 56,912,424</u>

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

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 \$39,132,491, which is more than last year's ending fund balance of \$40,632,213. The District's General Fund had \$1,160,433 less in operating revenues than expenditures for the year ended June 30, 2012.

CURRENT YEAR BUDGET 2011-12

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2011-12 the District had invested \$115,106,233 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2012	2011	Net Change
CAPITAL ASSETS			
Land	\$ 6,825,717	\$ 6,825,717	\$ -
Construction in progress	4,624,109	3,554,376	1,069,733
Land improvements	12,722,786	12,651,993	70,793
Buildings & improvements	111,156,400	107,917,768	3,238,632
Furniture & equipment	14,373,110	13,582,357	790,753
Accumulated depreciation	(34,595,889)	(30,711,853)	(3,884,036)
Total Capital Assets	\$ 115,106,233	\$ 113,820,358	\$ 1,285,875

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end, the District had \$70,235,252 in long-term debt, an decrease of 1% from last year. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2012	2011	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 60,520,843	\$ 62,035,536	\$ (1,514,693)
Total certificates of participation	1,905,000	1,960,000	(55,000)
Capital leases	-	101,012	(101,012)
Compensated absences	352,912	360,967	(8,055)
Net OPEB obligation	7,456,497	6,632,219	824,278
Total Long-term Liabilities	\$ 70,235,252	\$ 71,089,734	\$ (854,482)

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

- At the state level, the budget situation continues to reflect challenging economic times. A major key to higher funding for education is the recovery of the economy. There were two tax initiatives on the November 2012 ballot – the Governor's Proposition 30 and a rival tax initiative, Proposition 38. Since the Governor's proposal was approved by voters in November 2012, K-12 funding will remain flat at roughly the 2010-11 level. State categorical program flexibility continues for the 2011-12 and 2012-13 fiscal years with no anticipated changes. School districts are currently authorized to use funding from Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed through 2013-14 and school agencies maintain the flexibility to shorten the school year until 2014-15.
- Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2012-13 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 (808) 922-4573.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 31,417,912
Accounts receivable	11,374,766
Inventory	111,049
Prepaid expenses	3,723
Deferred charges	896,457
Capital assets, not depreciated	11,449,826
Capital assets, net of accumulated depreciation	103,656,407
Total Assets	158,910,140
LIABILITIES	
Accrued liabilities	3,527,861
Deferred revenue	238,201
Long-term liabilities, current portion	2,838,146
Long-term liabilities, non-current portion	67,397,106
Total Liabilities	74,001,314
NET ASSETS	
Invested in capital assets, net of related debt	66,697,464
Restricted for	
Capital projects	4,378,368
Debt service	7,393,261
Educational programs	4,226,604
Unrestricted	2,213,129
Total Net Assets	\$ 84,908,826

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, 2012**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 36,988,903	\$ 47,016	\$ 6,253,939	\$ (30,687,948)
Instruction-related services				
Instructional supervision and administration	1,636,484	4,573	827,437	(804,474)
Instructional library, media, and technology	1,957,929	1,490	179,197	(1,777,242)
School site administration	4,889,053	129	1,046,471	(3,842,453)
Pupil services				
Home-to-school transportation	1,043,657	(36,770)	867,506	(212,921)
Food services	2,592,286	751,486	1,962,168	121,368
All other pupil services	4,811,103	1,476	1,911,282	(2,898,345)
General administration				
Centralized data processing	240,025	-	-	(240,025)
All other general administration	3,142,987	36,730	519,606	(2,586,651)
Plant services	8,307,486	157,965	546,805	(7,602,716)
Ancillary services	1,457,378	235	61,192	(1,395,951)
Interest on long-term debt	2,647,441	-	-	(2,647,441)
Other Outgo	98,734	244,634	211,560	357,460
Depreciation (unallocated)	4,091,036	-	-	(4,091,036)
Total Governmental Activities	\$ 73,904,502	\$ 1,208,964	\$ 14,387,163	(58,308,375)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				23,135,317
Property taxes, levied for debt service				4,973,611
Property taxes, levied for other specific purposes				41,363
Federal and state aid not restricted for specific purposes				26,779,874
Interest and investment earnings				85,963
Interagency revenues				7,485
Miscellaneous				3,938,452
Subtotal, General Revenue				58,962,065
Change in net assets before transfers & special items				653,690
CHANGE IN NET ASSETS				653,690
Net Assets - Beginning				84,255,136
Net Assets - Ending				\$ 84,908,826

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012**

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 3,115,171	\$ 12,738,065	\$ 4,374,403	\$ 7,381,068	\$ 2,817,980	\$ 30,426,687
Accounts receivable	10,826,921	22,328	8,217	12,193	503,677	11,373,336
Due from other funds	174,154	-	14	-	41,363	215,531
Stores inventory	92,594	-	-	-	18,455	111,049
Prepaid expenditures	3,723	-	-	-	-	3,723
Total Assets	\$ 14,212,563	\$ 12,760,393	\$ 4,382,634	\$ 7,393,261	\$ 3,381,475	\$ 42,130,326
LIABILITIES						
Accrued liabilities	\$ 1,509,123	\$ 933,701	\$ 4,265	\$ -	\$ 101,926	\$ 2,549,015
Due to other funds	41,363	-	-	-	169,256	210,619
Deferred revenue	238,201	-	-	-	-	238,201
Total Liabilities	1,788,687	933,701	4,265	-	271,182	2,997,835
FUND BALANCES						
Nonspendable	111,317	-	-	-	18,455	129,772
Restricted	3,231,154	11,826,670	4,378,369	7,393,261	995,450	27,824,904
Assigned	2,000,505	22	-	-	2,096,388	4,096,915
Unassigned	7,080,900	-	-	-	-	7,080,900
Total Fund Balances	12,423,876	11,826,692	4,378,369	7,393,261	3,110,293	39,132,491
Total Liabilities and Fund Balances	\$ 14,212,563	\$ 12,760,393	\$ 4,382,634	\$ 7,393,261	\$ 3,381,475	\$ 42,130,326

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET ASSETS
JUNE 30, 2012**

Total Fund Balance - Governmental Funds \$ 39,132,491

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

Capital assets:

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

Capital assets	\$ 149,702,122	
Accumulated depreciation	(34,595,889)	115,106,233

Unamortized costs:

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

896,457

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamortized interest owing at the end of the period was:

(978,846)

Long-term liabilities:

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

Total general obligation bonds	\$ 60,520,843	
Total certificates of participation	1,905,000	
Compensated absences	352,912	
Net OPEB obligation	7,456,497	(70,235,252)

Internal service funds:

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

987,743

Total Net Assets - Governmental Activities \$ 84,908,826

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
Revenue limit sources						
State aid	\$ 21,638,555	\$ -	\$ -	\$ -	\$ -	\$ 21,638,555
Local sources	22,650,041	-	-	-	-	22,650,041
Transfers	644,785	-	-	-	-	644,785
Federal sources	6,265,275	-	-	-	1,876,437	8,141,712
Other state sources	10,062,282	-	3,363,540	58,780	173,168	13,657,770
Other local sources	1,540,293	71,667	182,102	4,949,102	1,082,165	7,825,329
Total Revenues	62,801,231	71,667	3,545,642	5,007,882	3,131,770	74,558,192
EXPENDITURES						
Current						
Instruction	36,538,522	-	-	-	-	36,538,522
Instruction-related services						
Instructional supervision and administration	1,606,158	-	-	-	-	1,606,158
Instructional library, media, and technology	2,005,249	-	-	-	-	2,005,249
School site administration	4,893,626	-	-	-	-	4,893,626
Pupil services						
Home-to-school transportation	1,638,251	-	-	-	-	1,638,251
Food services	-	-	-	-	2,586,815	2,586,815
All other pupil services	4,794,073	-	-	-	-	4,794,073
General administration						
Centralized data processing	252,665	-	-	-	-	252,665
All other general administration	2,873,829	-	-	-	302,512	3,176,341
Plant services	7,842,646	484,176	275	-	15,984	8,343,081
Facilities acquisition and maintenance	32,737	4,230,962	121,766	-	18,000	4,403,465
Ancillary services	1,461,757	-	-	-	-	1,461,757
Transfers to other agencies	6,849	-	-	-	-	6,849
Debt service						
Principal	31,606	-	-	1,173,213	123,429	1,328,248
Interest and other	14,381	-	-	2,985,882	22,551	3,022,814
Total Expenditures	63,992,349	4,715,138	122,041	4,159,095	3,069,291	76,057,914
Excess (Deficiency) of Revenues						
Over Expenditures	(1,191,118)	(4,643,471)	3,423,601	848,787	62,479	(1,499,722)
Other Financing Sources (Uses)						
Transfers In	30,685	3,363,540	-	-	-	3,394,225
Transfers Out	-	-	(3,363,540)	-	(30,685)	(3,394,225)
Net Financing Sources (Uses)	30,685	3,363,540	(3,363,540)	-	(30,685)	-
NET CHANGE IN FUND BALANCE	(1,160,433)	(1,279,931)	60,061	848,787	31,794	(1,499,722)
Fund Balance - Beginning	13,584,309	13,106,623	4,318,308	6,544,474	3,078,499	40,632,213
Fund Balance - Ending	\$ 12,423,876	\$ 11,826,692	\$ 4,378,369	\$ 7,393,261	\$ 3,110,293	\$ 39,132,491

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, 2012**

Net Change in Fund Balances - Governmental Funds \$ (1,499,722)

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:	\$	5,376,911	
Depreciation expense:		<u>(4,091,036)</u>	1,285,875

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:

1,329,227

Debt issue costs:

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:

(60,716)

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:

1,747

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2012**

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.

227,549

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:

8,055

Postemployment benefits other than pensions (OPEB):

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

(824,278)

Amortization of debt issue 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 as interest over the life of the debt. Amortization of premium or discount for the period is:

113,929

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:

72,024

Change in Net Assets of Governmental Activities

\$ 653,690

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2012

	Governmental Activities
	Internal Service Fund(s)
	Fund(s)
ASSETS	
Current assets	
Cash and cash equivalents	\$ 991,225
Accounts receivable	1,430
Total current assets	<u>992,655</u>
Total Assets	<u>992,655</u>
LIABILITIES	
Current liabilities	
Due to other funds	4,912
Total current liabilities	<u>4,912</u>
Total Liabilities	<u>4,912</u>
NET ASSETS	
Unrestricted	987,743
Total Net Assets	<u>\$ 987,743</u>

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

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2012**

	Governmental Activities
	Internal Service Fund(s)
OPERATING REVENUE	
Charges for services	\$ 803,515
Other local revenues	49,498
Total operating revenues	853,013
OPERATING EXPENSE	
Professional services	780,989
Total operating expenses	780,989
Operating income/(loss)	72,024
CHANGE IN NET ASSETS	72,024
Net Assets - Beginning	915,719
Net Assets - Ending	\$ 987,743

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, 2012**

	Governmental Activities
	Internal Service Fund(s)
Cash flows from operating activities	
Cash received from user charges	\$ 851,583
Cash received (paid) from assessments made to (from) other funds	(780,830)
Net cash provided by (used for) operating activities	70,753
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	70,753
CASH AND CASH EQUIVALENTS	
Beginning of year	920,472
End of year	\$ 991,225
Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income (loss)	\$ 72,024
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,430)
Increase (decrease) in due to other funds	159
Net cash provided by (used for) operating activities	\$ 70,753

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,028,543
Total Assets	<u>\$ 1,028,543</u>
LIABILITIES	
Due to student groups	\$ 1,028,543
Total Liabilities	<u>\$ 1,028,543</u>

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Financial Reporting Entity**

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

The 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.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2012

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

C. Basis of Presentation

Government-Wide Statements. The statement of net assets and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

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

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its 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.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2012

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

C. Basis of Presentation (*continued*)

Major Governmental Funds

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

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

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

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund 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.

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*).

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2012

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

C. Basis of Presentation (*continued*)

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

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

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*).

Fiduciary Funds

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

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

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.

All governmental-type activities of the District follow the FASB and AICPA pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

Governmental Funds

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

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.

Deferred Revenue

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

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2012

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

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

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.

E. Assets, Liabilities, Fund Balance and Net Assets

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

Investments

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

Inventories

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2012

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

E. Assets, Liabilities, Fund Balance and Net Assets (*continued*)

Capital Assets

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

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

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

Interfund Balances

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is 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.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Fund Balance and Net Assets (continued)

Accrued Liabilities and Long-Term Obligations

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

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

Deferred Issuance Costs, 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Fund Balance

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

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

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

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2012

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

E. Assets, Liabilities, Fund Balance and Net Assets (*continued*)

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

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2012

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

G. Estimates

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

H. Budgetary Data

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

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

I. Property Tax

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental	Internal Service	Total	Fiduciary
	Funds	Funds	Governmental	Funds
			Activities	
Cash in County	\$ 30,188,043	\$ 863,316	\$ 31,051,359	\$ 74,035
Fair value adjustment to cash in county treasury	50,504	1,444	51,948	-
Cash on hand and in banks	10,008	126,465	136,473	502,152
Cash with fiscal agent	162,503	-	162,503	-
Cash in revolving fund	15,000	-	15,000	-
Cash awaiting deposit	629	-	629	-
Certificates of deposit	-	-	-	452,356
Total cash and cash equivalents	\$ 30,426,687	\$ 991,225	\$ 31,417,912	\$ 1,028,543

B. Policies and Practices

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

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2012

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 \$31,177,691 and an amortized book value of \$31,125,394. The average weighted maturity for this pool is 705 days.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS (continued)

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2012, the pooled investments in the County Treasury were rated at least A.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2012, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal Government							
Categorical aid	\$ 720,026	\$ -	\$ -	\$ -	\$ 498,573	\$ -	\$ 1,218,599
State Government							
Apportionment	9,000,521	-	-	-	-	-	9,000,521
Categorical aid	798,660	-	-	-	-	-	798,660
Lottery	85,615	-	-	-	-	-	85,615
Local Government							
Other Local Sources	222,099	22,328	8,217	12,193	5,104	1,430	271,371
Total	\$ 10,826,921	\$ 22,328	\$ 8,217	\$ 12,193	\$ 503,677	\$ 1,430	\$ 11,374,766

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance				Balance
	July 01, 2011	Additions	Deletions		June 30, 2012
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 6,825,717	\$ -	\$ -	\$ -	\$ 6,825,717
Construction in progress	3,554,376	4,286,878	3,217,145		4,624,109
Total Capital Assets not Being Depreciated	<u>10,380,093</u>	<u>4,286,878</u>	<u>3,217,145</u>		<u>11,449,826</u>
Capital assets being depreciated					
Land improvements	12,651,993	70,793	-		12,722,786
Buildings & improvements	107,917,768	3,238,632	-		111,156,400
Furniture & equipment	13,582,357	997,753	207,000		14,373,110
Total Capital Assets Being Depreciated	<u>134,152,118</u>	<u>4,307,178</u>	<u>207,000</u>		<u>138,252,296</u>
Less Accumulated Depreciation					
Land improvements	2,163,761	615,942	-		2,779,703
Buildings & improvements	17,536,156	2,205,723	-		19,741,879
Furniture & equipment	11,011,936	1,269,371	207,000		12,074,307
Total Accumulated Depreciation	<u>30,711,853</u>	<u>4,091,036</u>	<u>207,000</u>		<u>34,595,889</u>
Governmental Activities					
Capital Assets, net	<u>\$ 113,820,358</u>	<u>\$ 4,503,020</u>	<u>\$ 3,217,145</u>	<u>\$ -</u>	<u>\$ 115,106,233</u>

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2012

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2012 were as follows:

Due To Other Funds	Due From Other Funds			Total
	General Fund	County School Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 41,363	\$ 41,363
Non-Major Governmental Funds	169,242	14	-	169,256
Self-Insurance Fund	4,912	-	-	4,912
Total Due From Other Funds	\$ 174,154	\$ 14	\$ 41,363	\$ 215,531

General Fund due to Special Reserve for Capital Projects Fund for RDA PRE1290 pass through revenues	\$ 41,363
Cafeteria Fund due to General Fund for indirect costs, OPEB allocation, and PERS reduction	134,388
Capital Facilities Fund due to General Fund for COPS activity	4,169
Capital Facilities Fund due to County School Facilities Fund for COPS activity	14
Special Reserve for Capital Projects Fund due to General Fund for facility projects	30,685
Self Insurance Fund due to General Fund for interest earnings	4,912
Total	\$ 215,531

B. Operating Transfers

Interfund transfers for the year ended June 30, 2012 consisted of the following:

Interfund Transfers Out	Interfund Transfers In		
	General Fund	Building Fund	Total
County School Facilities Fund	\$ -	\$ 3,363,540	\$ 3,363,540
Non-Major Fund	30,685	-	30,685
Total Interfund Transfers	\$ 30,685	\$ 3,363,540	\$ 3,394,225

Transfer from Special Reserve for Capital Outlay Fund to General Fund for capital facility projects	\$ 30,685
Transfer from County School Facilities Fund to Building Fund for various Building Fund projects	3,363,540
Total	\$ 3,394,225

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2012

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2012 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Construction	\$ -	\$ 20,250	\$ -	\$ -	\$ -	\$ 20,250
Vendors payable	483,727	913,451	4,265	101,926	-	1,503,369
Insurance premiums payable	1,013,974	-	-	-	-	1,013,974
Unmatured interest	-	-	-	-	978,846	978,846
Other liabilities	11,422	-	-	-	-	11,422
Total	\$ 1,509,123	\$ 933,701	\$ 4,265	\$ 101,926	\$ 978,846	\$ 3,527,861

NOTE 7 – DEFERRED REVENUE

Deferred revenue in the General Fund at June 30, 2012 consisted of \$238,201 attributed to federal sources.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2012

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2012 consisted of the following:

	Balance July 01, 2011	Additions	Deductions	Balance June 30, 2012	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 57,936,436	\$ -	\$ 1,173,215	\$ 56,763,221	\$ 2,000,000
Unamortized premium	2,553,688	-	174,802	2,378,886	174,802
Accreted interest	2,417,931	374,237	601,786	2,190,382	-
Deferred amount on refunding	(872,519)	-	(60,873)	(811,646)	(60,873)
Total general obligation bonds	62,035,536	374,237	1,888,930	60,520,843	2,113,929
Certificates of participation	1,960,000	-	55,000	1,905,000	55,000
Capital leases	101,012	-	101,012	-	-
Compensated absences	360,967	480,167	488,222	352,912	-
Net OPEB obligation	6,632,219	1,418,652	594,374	7,456,497	669,217
Total	\$ 71,089,734	\$ 2,273,056	\$ 3,127,538	\$ 70,235,252	\$ 2,838,146

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2012 amounted to \$352,912. 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, 2012 are as follows:

Year Ended June 30,	Payment
2013	\$ 55,000
2014	60,000
2015	60,000
2016	65,000
2017	65,000
2018 - 2022	385,000
2023 - 2027	480,000
2028 - 2032	600,000
2033	135,000
Total	<u>\$ 1,905,000</u>

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2012

NOTE 8 – LONG-TERM DEBT (continued)

C. General Obligation Bonds

The outstanding general obligation bonded debt of the District as of June 30, 2012 is as follows:

Series	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2012
				Outstanding July 01, 2011	Additions	Deductions	
2001	2018	4.0%-5.375%	\$ 18,000,000	\$ 1,680,000	\$ -	\$ -	\$ 1,680,000
2003	2025	2.0%-4.375%	12,000,000	3,755,000	-	-	3,755,000
2005	2031	2.0%-5.010%	34,998,222	31,873,221	-	235,000	31,638,221
2006	2021	4.0%-5.0%	25,452,727	20,628,215	-	938,215	19,690,000
				<u>\$ 57,936,436</u>	<u>\$ -</u>	<u>\$ 1,173,215</u>	<u>\$ 56,763,221</u>

The annual requirements to amortize the 2001 general obligation bonds outstanding at June 30, 2012, are as follows:

Year Ended June 30,	Principal	Interest	Total
2013	\$ -	\$ 90,300	\$ 90,300
2014	-	90,300	90,300
2015	-	90,300	90,300
2016	-	90,300	90,300
2017	805,000	77,300	882,300
2018 - 2022	875,000	19,432	894,432
Total	<u>\$ 1,680,000</u>	<u>\$ 457,932</u>	<u>\$ 2,137,932</u>

The annual requirements to amortize the 2003 general obligation bonds outstanding at June 30, 2012, are as follows:

Year Ended June 30,	Principal	Interest	Total
2013	\$ -	\$ 185,950	\$ 185,950
2014	-	185,950	185,950
2015	-	185,950	185,950
2016	325,000	185,950	510,950
2017	365,000	185,950	550,950
2018 - 2022	865,000	699,150	1,564,150
2023 - 2025	2,200,000	255,938	2,455,938
Total	<u>\$ 3,755,000</u>	<u>\$ 1,884,838</u>	<u>\$ 5,639,838</u>

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2012

NOTE 8 – LONG-TERM DEBT (continued)

C. General Obligation Bonds (continued)

The annual requirements to amortize the 2005 general obligation bonds outstanding at June 30, 2012, are as follows:

Year Ended June 30,	Principal	Interest	Total
2013	\$ 370,000	\$ 1,111,191	\$ 1,481,191
2014	520,000	1,097,516	1,617,516
2015	680,000	1,078,511	1,758,511
2016	850,000	1,050,631	1,900,631
2017	1,040,000	1,015,951	2,055,951
2018 - 2022	8,395,000	4,254,516	12,649,516
2023 - 2027	16,105,000	3,551,022	19,656,022
2028 - 2031	3,678,221	11,151,297	14,829,518
Total	\$ 31,638,221	\$ 24,310,635	\$ 55,948,856

The annual requirements to amortize the 2006 general obligation bonds outstanding at June 30, 2012 are as follows:

Year Ended June 30,	Principal	Interest	Total
2013	\$ 1,630,000	\$ 943,750	\$ 2,573,750
2014	1,750,000	859,250	2,609,250
2015	1,935,000	767,125	2,702,125
2016	2,090,000	666,500	2,756,500
2017	1,825,000	568,625	2,393,625
2018 - 2021	10,460,000	1,096,500	11,556,500
Total	\$ 19,690,000	\$ 4,901,750	\$ 24,591,750

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012**

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2012:

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable						
Revolving cash	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 15,000
Stores inventory	92,594	-	-	-	18,455	111,049
Prepaid expenditures	3,723	-	-	-	-	3,723
Total non-spendable	111,317	-	-	-	18,455	129,772
Restricted						
Educational programs	3,231,154	-	-	-	-	3,231,154
Capital projects	-	11,826,670	4,378,369	-	-	16,205,039
Debt service	-	-	-	7,393,261	-	7,393,261
All others	-	-	-	-	995,450	995,450
Total restricted	3,231,154	11,826,670	4,378,369	7,393,261	995,450	27,824,904
Assigned						
Deferred Maintenance	363,956	-	-	-	-	363,956
Special Reserve Fund for Other Than Capital Outlay Projects	1,186,439	-	-	-	-	1,186,439
CSEA Health Benefits	15,954	-	-	-	-	15,954
Site, Dept, MAA Carryovers	284,974	-	-	-	-	284,974
Tier III Carryovers	149,182	-	-	-	-	149,182
Bond Projects	-	22	-	-	-	22
Developer Fee Projects	-	-	-	-	518,947	518,947
Other Capital Outlay	-	-	-	-	1,577,441	1,577,441
Total assigned	2,000,505	22	-	-	2,096,388	4,096,915
Unassigned						
Reserve for economic uncertainties	1,921,802	-	-	-	-	1,921,802
Remaining unassigned	5,159,098	-	-	-	-	5,159,098
Total unassigned	7,080,900	-	-	-	-	7,080,900
Total	\$ 12,423,876	\$ 11,826,692	\$ 4,378,369	\$ 7,393,261	\$ 3,110,293	\$ 39,132,491

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2012

NOTE 10 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

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

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	57
Active plan members	634
Total	<u>691</u>
 Number of participating employers	 1

**As of July 1, 2010 actuarial study*

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

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

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

District-paid benefits include medical/prescription drug (offered as a package) for all eligible retirees, and dental and vision insurance for Certificated retirees. For groups other than Certificated, the District's contribution towards medical/Rx benefits is limited to the amount of the premium (by tier) for CVT Plan 10. The District caps for Certificated retirees also vary by tier based on the High Desert Trust rate structure, and are applied before adding on dental and vision premiums for retirees and any covered dependents.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2012

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

B. Funding Policy

The District’s contribution is currently based on a project pay-as-you-go funding method, that is, benefits are payable when due.

As of June 30, 2012, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

C. Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$	1,786,361
Interest on net OPEB obligation		331,610
Adjustment to annual required contribution		(431,435)
Annual OPEB cost (expense)		<u>1,686,536</u>
Contributions made		<u>(862,258)</u>
Increase (decrease) in net OPEB obligation		824,278
Net OPEB obligation, beginning of the year		<u>6,632,219</u>
Net OPEB obligation, end of the year	\$	<u>7,456,497</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2012 and the preceding two years were as follows:

<u>Year Ended June 30,</u>	<u>Annual</u>	<u>Percentage</u>	<u>Net OPEB</u>
	<u>OPEB</u>	<u>Contributed</u>	<u>Obligation</u>
	<u>Cost</u>		
2012	\$ 1,686,536	51%	\$ 7,456,497
2011	\$ 1,701,437	42%	\$ 6,632,219
2010	\$ 1,582,379	32%	\$ 5,642,294

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2012

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

D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2010	\$ -	\$ 12,464,084	\$ 12,464,084	0%	\$ 41,083,219	30%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	7/1/2010
Actuarial Cost Method	Projected Unit Cost
Amortization Method	30-year level dollar, open
Remaining Amortization Period	29
Asset Valuation	\$ -
Actuarial Assumptions:	
Discount rate	5.0%
Health care trend rate	6.0%
Dental & vision	4.0%

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer 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).

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.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2011-12	\$ 2,308,108	100%
2010-11	\$ 2,304,314	100%
2009-10	\$ 2,295,365	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,193,781 to CalSTRS (4.267% of salaries subject to CalSTRS in 2011-12).

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2012

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

California Public Employees’ Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012 was 10.923% of annual payroll. The contribution requirements of the plan members are established by state statute. The District’s contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2011-12	\$ 1,387,073	100%
2010-11	\$ 1,308,467	100%
2009-10	\$ 1,192,998	100%

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

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, 2012.

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, 2012.

C. Construction Commitments

As of June 30, 2012, the District had commitments with respect to unfinished capital projects of \$1,558,205.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in a joint venture under a joint powers agreement (JPA) with the Self Insurance Program for Employees (SIPE). SIPE was established to provide services necessary and appropriate for the development, operation and maintenance of a self-insurance system for workers' compensation claims against the public educational agencies who are members. The participants consist of the Santa Barbara County Office of Education and various school districts. Each participant may appoint one representative to the governing board. The governing board is responsible for establishing premium rates and making budget and operational decisions for SIPE independent of any influence by the District beyond their board member representation. Each participant shares surpluses and deficits proportionate to their participation in SIPE. In the event SIPE is terminated, the District would be liable for its proportionate share of all unpaid claims.

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

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES (continued)

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

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

The District participates in a joint venture under the joint powers agreement (JPA) with the Santa Barbara County Schools Financing Authority. The Authority's purpose is providing financing assistance for construction and acquisition of major capital facilities to its five members: The District, Goleta Union School District, Hope Elementary School District, Santa Barbara Elementary School District and Santa Barbara High School District. The Authority is governed by a board comprised of the chief business officer of each member.

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

NOTE 14 – SUBSEQUENT EVENTS

On July 3, 2012 the District issued non-voter approved debt in the form of Certificates of Participation notes ("COPs"), totaling \$4,579,621. Proceeds of the COPs are to be used as follows:

District-wide energy retrofit projects	\$ 2,700,000
Existing COPs defeasance/pay-off	1,771,850
Capitalized interest (328 days)	82,771
Issue costs	50,000

The COPs bear interest at 3.25%, the final payment is due in June of 2024, and the source of funds for repayment will be the District's General Fund plus eligible PG&E rebates and anticipated savings in energy costs.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources				
State aid	\$ 22,801,520	\$ 22,402,449	\$ 21,638,555	\$ (763,894)
Local sources	21,956,519	21,922,066	22,650,041	727,975
Transfers	188,550	193,664	644,785	451,121
Federal sources	4,727,242	8,907,600	6,265,275	(2,642,325)
Other State sources	8,972,824	9,043,475	10,062,282	1,018,807
Other local sources	884,610	1,223,763	1,532,273	308,510
Total Revenues	59,531,265	63,693,017	62,793,211	(899,806)
EXPENDITURES				
Certificated salaries	28,511,422	28,774,715	29,004,484	(229,769)
Classified salaries	11,513,063	11,205,375	11,799,922	(594,547)
Employee benefits	12,518,835	11,693,878	12,245,881	(552,003)
Books and supplies	2,585,707	6,186,121	3,664,799	2,521,322
Services and other operating expenditures	6,147,311	6,771,815	6,187,451	584,364
Capital outlay	610,000	489,032	982,574	(493,542)
Other outgo				
Excluding transfers of indirect costs	40,125	57,173	40,574	16,599
Transfers of indirect costs	(147,791)	(114,335)	(124,127)	9,792
Total Expenditures	61,778,672	65,063,774	63,801,558	1,262,216
Excess (Deficiency) of Revenues				
Over Expenditures	(2,247,407)	(1,370,757)	(1,008,347)	362,410
Other Financing Sources (Uses)				
Transfers In	898,443	231,280	30,685	(200,595)
Transfers Out	(346,443)	(211,180)	(258,513)	(47,333)
Net Financing Sources (Uses)	552,000	20,100	(227,828)	(247,928)
NET CHANGE IN FUND BALANCE				
Fund Balance - Beginning	11,627,114	11,627,114	12,109,656	482,542
Fund Balance - Ending	\$ 9,931,707	\$ 10,276,457	\$ 10,873,481	\$ 597,024

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

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, Special Reserve Other than Capital Outlay Fund 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 FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012**

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

See accompanying note to required supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2012, the District incurred no excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 28,774,715	\$ 29,004,484	\$ 229,769
Classified salaries	\$ 11,205,375	\$ 11,799,922	\$ 594,547
Employee benefits	\$ 11,693,878	\$ 12,245,881	\$ 552,003
Capital outlay	\$ 489,032	\$ 982,574	\$ 493,542

**SUPPLEMENTARY
INFORMATION**

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A Cluster			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 1,734,450
ARRA - Title I - Part A, Basic Grants Low Income	84.389	15005	39,260
Subtotal Title I, Part A Cluster			<u>1,773,710</u>
Title I, Part C Cluster			
Title I, Part C, Migrant Education	84.011	14838	291,549
Title I, Migrant Ed Summer Program	84.011	10005	43,842
Subtotal Title I, Part C Cluster			<u>335,391</u>
Title II, Part A, Teacher Quality [1]	84.367A	14341	351,724
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	4,080
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	188,630
Title IV, Part A, Drug-Free Schools	84.186	14347	79
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,060,768
ARRA - Basic Local Assistance Entitlement, Part B	84.391	15003	225,782
Subtotal Special Education Cluster			<u>2,286,550</u>
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	161,310
ARRA - State Fiscal Stabilization Fund [1]	84.394	24997	338,694
Education Jobs Fund [1]	84.41	25152	854,715
Safe Schools - Healthy Students [1]	84.184L	*	1,161,589
Total U. S. Department of Education			<u><u>7,456,472</u></u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster [1]			
School Breakfast Program	10.553	23668	485,865
National School Lunch Program	10.555	13391	1,385,414
Summer Food Service Program for Children	10.559	13004	5,157
Subtotal Child Nutrition Cluster			<u>1,876,436</u>
Total U. S. Department of Agriculture			<u>1,876,436</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	14,158
Total U. S. Department of Health & Human Services			<u>14,158</u>
Total Federal Expenditures			<u><u>\$ 9,347,066</u></u>

[1] - Major Program

* - PCS Number not available or not applicable

See accompanying note to supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
 FOR THE YEAR ENDED JUNE 30, 2012**

	Second Period Report	Annual Report
SECONDARY		
Regular classes	6,548	6,497
Continuation education	279	275
Home and hospital	17	18
Special education	355	353
Total Secondary	7,199	7,143
REPORTED BY COUNTY OFFICE		
County community schools	1	1
Special education	30	31
Total Reported by County Office	31	32
Average Daily Attendance Total	7,230	7,175

See accompanying note to supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2012**

Grade Level	1982-83		1986-87		2011-12 Actual Minutes	Number of Days	Status
	Actual Minutes	Actual Minutes Reduced	Minutes Requirement	Minutes Requirement Reduced			
Grade 9	56,980	53,181	64,800	60,480	64,180	180	Complied
Grade 10	56,980	53,181	64,800	60,480	64,180	180	Complied
Grade 11	56,980	53,181	64,800	60,480	64,180	180	Complied
Grade 12	56,980	53,181	64,800	60,480	64,180	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, 2012**

	2013 (Budget)	2012	2011	2010
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 61,738,906	\$ 62,823,896	\$ 63,381,862	\$ 58,461,026
Expenditures And Other Financing Uses	63,217,263	64,060,071	62,598,187	59,788,223
Net change in Fund Balance	\$ (1,478,357)	\$ (1,236,175)	\$ 783,675	\$ (1,327,197)
Ending Fund Balance	\$ 9,395,124	\$ 10,873,481	\$ 13,854,309	\$ 11,627,113
Available Reserves*	\$ 5,655,675	\$ 7,080,900	\$ 7,479,634	\$ 6,690,344
Available Reserves As A Percentage Of Outgo	8.95%	11.05%	11.95%	11.19%
Long-term Debt	\$ 67,397,106	\$ 70,235,252	\$ 71,089,734	\$ 71,503,207
Average Daily Attendance At P-2	7,230	7,230	7,275	7,180

The General Fund balance has decreased by \$753,631 over the past two years. The fiscal year 2012-13 budget projects a further decrease of \$1,478,357. 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 and anticipates incurring an operating deficit during the 2012-13 fiscal year. Total long term obligations have decreased by \$1,267,955 over the past two years.

Average daily attendance has increased by 50 ADA over the past two years. No change in funded ADA is anticipated during the 2012-13 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 Other than Capital Outlay Funds, 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, 2012**

	General Fund	Deferred Maintenance Fund	Special Reserve Other Than Capital Outlay Fund
June 30, 2012, annual financial and budget report fund balance	\$ 10,873,481	\$ 363,956	\$ 1,186,439
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:	-	-	-
Fund balance transfer (GASB54)	1,550,395	(363,956)	(1,186,439)
Net adjustments and reclassifications	1,550,395	(363,956)	(1,186,439)
June 30, 2012, audited financial statement fund balance	<u>\$ 12,423,876</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2012**

Charter School	Included in Audit Report
Family Partnership Home Study Charter School	Not Included
Trivium Charter School	Not Included
Orcutt Academy Charter	Not Included

See accompanying note to supplementary information.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2012**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2012 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2012.

	CFDA	
	Number	Amount
	<u> </u>	<u> </u>
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 8,141,712
ARRA - State Fiscal Stabilization Fund [1]	84.394	338,694
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	1,021,644
Medi-Cal Billing Option	93.778	(174,640)
Title IV, Part A, Drug-Free Schools	84.186	<u>19,656</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 9,347,066</u>

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections 46200 through 46206*.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code Section 46201*. For 2011-12, the instructional day and minute requirements have been reduced pursuant to *Education Code Sections 46201.2 and 46201.3*.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2012**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools operating within the District's enrollment boundaries, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

Local Education Agency Organization Structure

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

**OTHER INDEPENDENT
AUDITORS' REPORTS**

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

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

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Licensed by the California
State Board of Accountancy

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

We have audited 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Audit Findings and Questioned Costs as items #2012-1 through #2012-4 that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

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

Santa Maria Joint Union High School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Santa Maria Joint Union High School District's responses and, accordingly, we express no opinion on them.

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



San Diego, California

November 7, 2012

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

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

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

Compliance

We have audited Santa Maria Joint Union High School District's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Santa Maria Joint Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Santa Maria Joint Union High School District's management. Our responsibility is to express an opinion on Santa Maria Joint Union High School District's compliance based on our audit.

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

In our opinion, Santa Maria Joint Union High School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012

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Internal Control over Compliance

Management of Santa Maria Joint Union High School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Santa Maria Joint Union High School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses* as defined above.

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

Christy White Associates

San Diego, California

November 7, 2012

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

We have audited Santa Maria Joint Union High School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2011-12*, issued by the California Education Audit Appeals Panel as regulations for the year ended June 30, 2012. Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Santa Maria Joint Union High School District's management. Our responsibility is to express an opinion on Santa Maria Joint Union High School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2011-12*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Santa Maria Joint Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Santa Maria Joint Union High School District's compliance with the state laws and regulations referred to above.

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

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

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<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction (including in charter schools):		
General requirements	7	Not Applicable
Option One	3	Not Applicable
Option Two	4	Not Applicable
Districts or charter schools with only one school serving K - 3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Not Applicable
After school	5	Not Applicable
Before school	6	Not Applicable
Contemporaneous Records of Attendance; for charter schools	3	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	4	Not Applicable

In our opinion, Santa Maria Joint Union High School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2012.

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

Christy White Associates

San Diego, California
November 7, 2012

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>10.553, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>
<u>84.410</u>	<u>Education Jobs Fund</u>
<u>84.394</u>	<u>ARRA - State Fiscal Stabilization Fund</u>
<u>84.367</u>	<u>Title II, Part A, Improving Teacher Quality</u>
<u>84.184L</u>	<u>Safe Schools Healthy Students, Elements 1,2,3,4,5</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

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

SANTA MARIA JOINT UNIFIED HIGH SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

FINDING #2012-1: STUDENT BODY FUNDS (30000)

Criteria: Proper internal controls are necessary to ensure the safeguard over the Associated Student Body (ASB) assets. Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

Santa Maria High School

- Upon inquiry, auditor noted that controls over ASB vending machine are not adequate. Vending machine counts are performed by students with supervision provided by the ASB Advisor, but the ASB Bookkeeper is not provided with back-up documentation to support amounts deposited.
- Auditor noted two instances where checks were drawn to cash. Checks in the amount of \$124.00 on 8/25/2011 and \$70.00 on 2/7/2012 were written to cash in order to supply start-up cash to student stores. For proper internal control procedures, all checks should be drawn to a specific payee.
- Auditor was informed that Los Comadres club conducted a raffle on campus. The club had offered various prizes, with tickets priced at one dollar. School entities, including student clubs, are not authorized to participate in raffles because they are not nonprofit organizations exempt from state tax as defined in the Franchise Tax Code, as noted in the FCMAT ASB Accounting Manual.
- Auditor noted through inquiry that revenue potentials are not being prepared prior to fundraising activities and events. Student organizations should have adequate internal controls over fundraising events. Revenue potentials allow clubs to prepare a sales plan, properly evaluate the effectiveness of those events and decide between often conflicting fundraising requests.
- 4 out of 15 cash receipts tested lacked adequate supporting documentation. Receipts included Fireworks sales (\$9,063.54), Saints Café sales (\$43.75), ASB vending machine proceeds (\$213.80), and sales from Mesa during the Winter Faire (\$62.05).

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2012

FINDING #2012-1: STUDENT BODY FUNDS (30000) (continued)

Cause: Insufficient controls over student body activities.

Effect: The potential for irregularities in accounting to go undetected or misappropriations of assets.

Perspective: Testing of internal controls over student body activities.

Recommendation: We recommend that the District enforce policies and procedures over ASB cash collections and disbursements in order to ensure that proper internal controls are being followed at the school sites. We also recommend that the District provide continuous training on proper internal control procedures over the cash receipt and disbursement process to ensure that ASB funds are being used and collected properly. We also recommend that the ASB follow the FCMAT ASB Accounting Manual in areas where deficiencies were found.

District Response: The District will establish policies and procedures over ASB cash collections and disbursements in order to ensure that proper internal controls are being followed at the school sites. The District will provide continuous training on proper internal control procedures.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2012

FINDING #2012-2: CREDIT CARDS (30000)

Criteria: Sound fiscal management controls ensure that itemized receipts are obtained for all credit card purchases to ensure that purchases are allowable and appropriate.

Condition: During testing of credit card controls, the auditor noted that some transactions from the Superintendent (1 of 5, for Portola Hotel restaurant) lacked itemized receipts. Additionally, in scanning the Superintendent's receipt backup for other purchases, auditor noted that additional receipts were not itemized.

Questioned Cost: The amount of the non-itemized purchases (\$66)

Effect: Not all purchases may be allowable.

Cause: Inadequate controls over the credit card disbursements, requiring all receipts to be itemized.

Perspective: Testing of internal controls related to credit cards.

Recommendation: We recommend the District continue to request and require itemized receipts to ensure proper internal controls over credit cards transactions.

District Response: The District will continue to request and require itemized receipts. District Fiscal Services Director will send out correspondence explaining to existing and any future credit card holders to ensure all cardholders are aware of the requirements.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2012

FINDING #2012-3: SEGREGATION OF DUTIES (30000)

Criteria: There needs to be proper segregation of duties over cash receipting as there is a high inherent risk associated with cash handling.

Condition: There is a lack of segregation of duties noted over the cash receipting process. Auditor noted during an interview with one of the accountants, that she receives, records and deposits cash receipts, in addition to preparing the reconciliations. Incompatible duties could lead to potential error or fraud occurring which would not be detected.

Cause: There appears to be inadequate staffing at the District Office due to turnover and budget cuts.

Effect: Potential for mistakes or fraudulent behavior due to the lack in segregation of duties.

Perspective: Interview of key personnel related to receipt process.

Recommendation: We recommend that the District implement proper internal control procedures over receipt and collections in order to prevent the opportunity for fraud or irregularities occurring in the accounting department.

District Response: The District will implement proper internal control procedures over receipt and collections in order to prevent any opportunity for fraud or irregularities in the accounting department. The District will have multiple staff process receipt and collections to insure proper segregation of duties to prevent the potential for mistakes or fraudulent behavior.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINDING #2012-4: BANK RECONCILIATIONS (30000)

Criteria: Procedures over the cash collection cycle should include timely and accurate reconciliation of the District's bank account, including ASB bank accounts.

Condition: During our testing of bank reconciliations, it was noted that several bank were not properly reconciled which include the student body and Section 125 plan bank accounts. In particular, auditor noted three stale dated checks in the Section 125 plan account totaling \$419.54 that were outstanding for greater than six months. Student body account reconciliations also contained 33 stale dated checks, totaling \$4,483.27.

Cause: Improper reconciliation of the aforementioned bank accounts and lack of bank reconciliation oversight.

Effect: The potential for the District cash balances to be inaccurately reported.

Perspective: Testing of internal controls related to bank reconciliations.

Recommendation: The District should work with the clerk responsible for reconciling the bank account to ensure accurate reconciliations are performed on a monthly basis. In addition, checks outstanding for greater than six months should be considered stale dated and removed from reconciliations.

District Response: The District will work with staff responsible for reconciling bank accounts to ensure that the District will stale date and remove from the reconciliation all checks that are outstanding for more than six months.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no audit findings and questioned costs related to federal awards during 2011-12.

**SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

FIVE DIGIT CODE

10000
40000
41000
60000
61000
70000
71000
72000

AB 3627 FINDING TYPE

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

There were no audit findings and questioned costs related to state awards during 2011-12.

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

FINDING #2011-1: STUDENT BODY FUNDS (30000)

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

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

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

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

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

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

Current Status: Partially implemented, see finding #2012-1

SANTA MARIA JOINT UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2012

FINDING #2011-2: FIXED ASSET TRACKING (20000)

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

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

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

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

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

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

Current Status: Implemented