Annual Financial Report
June 30, 2019

Lompoc Unified School District

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LOMPOC UNIFIED SCHOOL DISTRICT

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LOMPOC UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
Lompoc Unified School District
Lompoc, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lompoc Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 the financial statements are free from material misstatement.

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

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

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Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 66, schedule of changes in the District's total OPEB liability and related ratios on page 67, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 68, schedule of the District's proportionate share of the net pension liability on page 69, and the schedule of District contributions on page 70, be presented to supplement the basic financial statements. Such information, although not a 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 an 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lompoc Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, on our consideration of the Lompoc Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lompoc Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lompoc Unified School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019

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LOMPOC UNIFIED SCHOOL DISTRICT

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TREVOR MCDONALD, SUPERINTENDENT

This section of Lompoc Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019 with comparative information for the year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Lompoc Unified School District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets and deferred outflows of the District (including capital assets) as well as all liabilities and deferred inflows (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

> The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
>
> The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The primary unit of the government is the Lompoc Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and deferred outflows and liabilities and deferred inflows of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results.* Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities. The District reports all of its services in this category.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position.* We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

- Overall at the conclusion of the 2018-2019 school year, the District's General Fund balance was $20,213,711.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $(5,989,691) for the fiscal year ended June 30, 2019. Of this amount, $(84,077,877) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2019	2018
Assets		
Current and other assets	$ 39,914,384	$ 37,803,565
Capital assets	81,013,952	82,215,974
Total Assets	**120,928,336**	**120,019,539**
Deferred Outflows of Resources	**35,716,551**	**36,316,534**
Liabilities		
Current liabilities	7,919,496	7,620,001
Long-term obligations	32,401,000	32,162,524
Aggregate net pension liability	110,569,704	105,008,990
Total Liabilities	**150,890,200**	**144,791,515**
Deferred Inflows of Resources	**11,744,378**	**13,323,172**
Net Position		
Net investment in capital assets	63,412,426	61,226,301
Restricted	14,675,760	13,282,102
Unrestricted (deficit)	(84,077,877)	(76,287,017)
Total Net Position (deficit)	**$ (5,989,691)**	**$ (1,778,614)**

The $(84,077,877) in unrestricted net position of all governmental activities represents the accumulated results of all past years' operations. Unrestricted net position decreased by 10.2 percent $(7,790,860) compared to $(76,287,017).

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2019	2018
Revenues		
Program revenues:		
Charges for services	$ 1,980,443	$ 804,357
Operating grants and contributions	27,095,564	20,413,592
General revenues:		
Federal and State aid not restricted	75,112,378	66,313,418
Property taxes	28,528,731	31,346,441
Other general revenues	2,384,748	3,618,774
Total Revenues	**135,101,864**	**122,496,582**
Expenses		
Instruction-related	92,375,089	79,423,389
Pupil services	15,498,783	14,168,293
Administration	8,681,820	7,741,086
Plant services	14,385,785	13,647,678
All other services	8,371,464	8,109,880
Total Expenses	**139,312,941**	**123,090,326**
Change in Net Position	**$ (4,211,077)**	**$ (593,744)**

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $139,312,941. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $28,528,731 because the cost was paid by those who benefited from the programs ($1,980,443), or by other governments and organizations who subsidized certain programs with grants and contributions ($27,095,564). We paid for the remaining "public benefit" portion of our governmental activities with $77,497,126, in Federal and State funds and other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions – instruction and instruction-related activities, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Net Cost of Services	
	2019	2018
Instruction	$ 63,244,623	$ 56,244,974
Instruction-related activities	10,225,168	9,264,725
Pupil services	9,445,272	9,074,684
Administration	6,840,185	7,155,459
Plant services	13,735,304	13,532,264
All other services	6,746,382	6,600,271
Total	**$ 110,236,934**	**$ 101,872,377**

The cost of services was primarily due to one percent salary increase on salary schedule and one and half percent one-time bonus for all employee groups. The District increased services and expenses in accordance with Local Control Accountability Plan (LCAP) and Local Control Funding Formula (LCFF) supplemental and concentration funds, and the State Common Core State Standard implementation.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $32,169,913, which is an increase of $1,751,137, from last year. (Table 4)

Table 4

	Balances and Activity			
	July 1, 2018	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2019
General Fund	$ 18,217,496	$ 122,358,242	$ 120,362,027	$ 20,213,711
Bond Interest and Redemption Fund	5,024,456	3,749,459	4,016,469	4,757,446
Adult Education Fund	262,061	2,027,536	1,085,495	1,204,102
Cafeteria Fund	1,245,740	4,692,746	4,707,244	1,231,242
Capital Facilities Fund	1,340,268	374,951	627,245	1,087,974
Special Reserve Fund for Capital Outlay Projects	4,328,755	1,212,664	1,865,981	3,675,438
Total	**$ 30,418,776**	**$ 134,415,598**	**$ 132,664,461**	**$ 32,169,913**

The primary reasons for these increases/decreases are:

a. The General Fund is the district's principal operating fund. The fund balance in the General Fund increased from $18 million to $20 million due to one-time mandated block grant.

b. The Bond Interest and Redemption Fund is County controlled and dependent on the structure of the debt.

c. The Adult Education Fund increased fund balance due to additional funding related to AB104.

d. The Cafeteria Fund decreased due to additional one-time expense.

e. The Capital Facilities Fund decreased due to construction project costs.

f. The Special Reserve Fund for Capital Outlay Projects fund decreased due to construction projects.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 7, 2019. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 66.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had $81,013,952, in a broad range of capital assets, including land and construction in process, land improvements, buildings and improvements, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of $1,202,022, from last year (Table 5).

Table 5

	Governmental Activities	
	2019	2018
Land and construction in process	$ 10,137,427	$ 10,715,701
Land improvements	11,927,609	10,359,586
Buildings and improvements	54,317,716	55,875,408
Furniture and equipment	4,631,200	5,265,279
Total	**$ 81,013,952**	**$ 82,215,974**

We provide more detailed information regarding capital assets in Note 5 of the financial statements.

Long-Term Obligations

At the end of this year, the District had $32,401,000, in long-term obligations versus $32,162,524, last year. The obligations consisted of the following:

Table 6

	Governmental Activities	
	2019	2018
General obligation bonds - net (financed with property taxes)	$ 20,691,376	$ 23,840,139
Retirement incentives	4,520,965	1,574,893
Compensated absences	833,851	1,102,064
Net other postemployment benefits (OPEB) liability	6,354,808	5,645,428
Total	**$ 32,401,000**	**$ 32,162,524**

We provide more detailed information regarding long-term obligations in Note 9 of the financial statements.

The State limits the amount of general obligation debt that Districts can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt is significantly below statutorily imposed limit.

Net Pension Liability (NPL)

At year-end, the District had a net pension liability of $110,569,704 versus $105,008,990 last year, an increase of $5,560,714, or 5.3 percent.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2018-2019 ARE NOTED BELOW:

- Successful update of the District's Local Control Accountability Plan (LCAP) and integration of the Local Control Funding Formula (LCFF).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2019-2020 year, the governing board and management used the following criteria:

Revenues:

- The Local Control Funding Formula (LCFF) calculations including a 3.7 percent COLA plus 100 percent GAP funding increased revenue, and the District projected decreased enrollment.
- Federal revenues will maintain with the 2013-2014 funding levels.
- Other State revenues will decrease due to one-time Block Grant funding.
- Other Local revenues will decrease due to revenue not being budgeted until received.

Expenditures:

- Certificated and Classified salaries will increase due to salary increase of one percent on salary schedule and 1.5 percent one-time bonus.
- Benefits will increase due to increase of Health Insurance, STRS, and PERS rates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our 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 Dr. John Karbula, Assistant Superintendent, Business Services, at Lompoc Unified School District, 1301 North "A" Street, P.O. Box 8000, Lompoc, California, 93438-8000, or e-mail at karbula.john@lusd.org.

LOMPOC UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Deposits and investments	$ 34,516,132
Receivables	5,193,615
Prepaid expenses	105,042
Stores inventories	99,595
Capital Assets	
Land and construction in process	10,137,427
Depreciable capital assets	162,307,455
Less: Accumulated depreciation	(91,430,930)
Total Capital Assets	81,013,952
Total Assets	120,928,336
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	789,146
Deferred outflows of resources related to net (OPEB) liability	376,964
Deferred outflows of resources related to pensions	34,550,441
Total Deferred Outflows of Resources	35,716,551
LIABILITIES	
Accounts payable	7,436,224
Accrued interest payable	175,025
Unearned revenue	308,247
Long-term obligations:	
Current portion of long-term obligations other than pensions	5,325,699
Noncurrent portion of long-term obligations other than pensions	27,075,301
Total Long-Term Obligations	32,401,000
Aggregate net pension liability	110,569,704
Total Liabilities	150,890,200
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to net (OPEB) liability	306,994
Deferred inflows of resources related to pensions	11,437,384
Total Deferred Inflows of Resources	11,744,378
NET POSITION	
Net investment in capital assets	63,412,426
Restricted for:	
Debt service	4,582,421
Capital projects	4,720,601
Educational programs	3,215,119
Other activities	2,157,619
Unrestricted	(84,077,877)
Total Net Position	$ (5,989,691)

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

LOMPOC UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 79,554,734	$ 688,332	$ 15,621,779	$ (63,244,623)
Instruction-related activities:				
Supervision of instruction	3,341,081	41,103	1,043,222	(2,256,756)
Instructional library, media, and technology	1,609,909	1	66,983	(1,542,925)
School site administration	7,869,365	850	1,443,028	(6,425,487)
Pupil services:				
Home-to-school transportation	2,276,280	556	34,187	(2,241,537)
Food services	4,503,987	665,742	3,580,575	(257,670)
All other pupil services	8,718,516	100,913	1,671,538	(6,946,065)
Administration:				
Data processing	2,159,526	-	71,776	(2,087,750)
All other administration	6,522,294	35,683	1,734,176	(4,752,435)
Plant services	14,385,785	10,384	640,097	(13,735,304)
Ancillary services	1,705,951	-	117,122	(1,588,829)
Interest on long-term obligations	874,281	-	-	(874,281)
Other outgo	5,791,232	436,879	1,071,081	(4,283,272)
Total Governmental Activities	$ 139,312,941	$ 1,980,443	$ 27,095,564	(110,236,934)
	General revenues and subventions:			
	Property taxes, levied for general purposes			24,681,583
	Property taxes, levied for debt service			3,684,105
	Taxes levied for other specific purposes			163,043
	Federal and State aid not restricted to specific purposes			75,112,378
	Interest and investment earnings			509,174
	Interagency revenues			189,741
	Miscellaneous			1,685,833
	Subtotal, General Revenues			106,025,857
	Change in Net Position			(4,211,077)
	Net Position - Beginning			(1,778,614)
	Net Position - Ending			$ (5,989,691)

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

LOMPOC UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 22,872,231	$ 4,734,925	$ 6,908,976	$ 34,516,132
Receivables	4,250,385	22,521	920,709	5,193,615
Due from other funds	235,776	-	406,316	642,092
Prepaid expenditures	103,897	-	1,145	105,042
Stores inventories	54,781	-	44,814	99,595
Total Assets	$ 27,517,070	$ 4,757,446	$ 8,281,960	$ 40,556,476
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 6,588,796	$ -	$ 847,428	$ 7,436,224
Due to other funds	406,316	-	235,776	642,092
Unearned revenue	308,247	-	-	308,247
Total Liabilities	7,303,359	-	1,083,204	8,386,563
Fund Balances:				
Nonspendable	163,678	-	50,959	214,637
Restricted	3,215,119	4,757,446	6,878,220	14,850,785
Assigned	12,661,236	-	269,577	12,930,813
Unassigned	4,173,678	-	-	4,173,678
Total Fund Balances	20,213,711	4,757,446	7,198,756	32,169,913
Total Liabilities and Fund Balances	$ 27,517,070	$ 4,757,446	$ 8,281,960	$ 40,556,476

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

LOMPOC UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balance - Governmental Funds		**$ 32,169,913**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 172,444,882	
Accumulated depreciation is	(91,430,930)	
Net Capital Assets		81,013,952
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt), which are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter), are included in the government-wide statements.		789,146
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and are not reported in the District's funds.		
Deferred outflows of resources related to pensions at year end consist of:		
Pension contributions subsequent to the measurement date	10,801,923	
Net change in proportionate share of net pension liability	5,698,935	
Difference between projected and actual earnings on pension plan investments	286,614	
Differences between expected and actual experience in the measurement of the total pension liability	2,525,273	
Changes in assumptions	15,237,696	
Total Deferred Outflows of Resources Related to Pensions		34,550,441
Deferred inflows of resources related to pensions represent an acquisition of net position in a future period and are not reported in the District's funds.		
Deferred inflows of resources related to pensions at year end consist of:		
Net change in proportionate share of net pension liability	(7,426,779)	
Difference between projected and actual earnings on pension plan investments	(2,912,092)	
Differences between expected and actual experience in the measurement of the total pension liability	(1,098,513)	
Total Deferred Inflows of Resources Related to Pensions		(11,437,384)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(110,569,704)

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (Continued)
JUNE 30, 2019

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and are not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end due to a change in actuarial assumption.		$ 376,964
Deferred inflows of resources related to OPEB represent an acquisition of net position in a future period and are not reported in the District's funds. The deferred inflow relates to a change in actuarial assumptions .		(306,994)
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(175,025)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term obligations at year-end consist of:		
General obligation bonds	$ (17,015,971)	
Premium on issuance	(1,374,701)	
Early retirement incentives	(456,356)	
Supplemental Early Retirement Plan	(4,064,609)	
Compensated absences	(833,851)	
Net other postemployment benefits (OPEB) liability	(6,354,808)	
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:	(2,300,704)	
Total Long-Term Obligations		(32,401,000)
Total Net Position - Governmental Activities		**$ (5,989,691)**

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

LOMPOC UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
JUNE 30, 2019

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	$ 94,709,443	$ -	$ -	$ 94,709,443
Federal sources	7,013,312	-	3,534,240	10,547,552
Other State sources	13,986,490	37,539	2,399,445	16,423,474
Other local sources	6,648,997	3,711,920	1,969,981	12,330,898
Total Revenues	122,358,242	3,749,459	7,903,666	134,011,367
EXPENDITURES				
Current				
Instruction	69,120,743	-	518,293	69,639,036
Instruction-related activities:				
Supervision of instruction	3,005,731	-	127,605	3,133,336
Instructional library, media, and technology	1,540,299	-	-	1,540,299
School site administration	6,948,087	-	320,104	7,268,191
Pupil services:				
Home-to-school transportation	2,119,494	-	-	2,119,494
Food services	236	-	4,436,480	4,436,716
All other pupil services	8,083,576	-	68,506	8,152,082
Administration:				
Data processing	2,160,412	-	-	2,160,412
All other administration	5,885,562	-	248,131	6,133,693
Plant services	11,751,175	-	187,843	11,939,018
Ancillary services	1,633,482	-	-	1,633,482
Other outgo	5,791,232	-	-	5,791,232
Facility acquisition and construction	1,916,767	-	2,379,003	4,295,770
Debt service				
Principal	-	3,225,000	-	3,225,000
Interest and other	1,000	791,469	-	792,469
Total Expenditures	119,957,796	4,016,469	8,285,965	132,260,230
Excess (Deficiency) of Revenues Over Expenditures	2,400,446	(267,010)	(382,299)	1,751,137
Other Financing Sources (Uses)				
Transfers in	-	-	404,231	404,231
Transfers out	(404,231)	-	-	(404,231)
Net Financing Sources (Uses)	(404,231)	-	404,231	-
NET CHANGE IN FUND BALANCES	1,996,215	(267,010)	21,932	1,751,137
Fund Balance - Beginning	18,217,496	5,024,456	7,176,824	30,418,776
Fund Balance - Ending	$ 20,213,711	$ 4,757,446	$ 7,198,756	$ 32,169,913

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

LOMPOC UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds			**$**	**1,751,137**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:				
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.				
This is the amount by which depreciation exceeds capital outlay in the period.				
Depreciation expense	$	(5,741,444)		
Capital outlay		4,539,422		
Net Expense Adjustment				(1,202,022)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and early retirement incentives, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, early retirement incentives earned was more than the amounts paid by $286,273. Vacation used was more than the amounts earned by $268,213.				(18,060)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.				(4,750,718)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.				(474,803)
The District offered a supplemental early retirement program in the 2018-2019 fiscal year. The offering increased the District's long-term liabilities.				(4,202,755)
The District has offered supplemental early retirement programs. During the current year the District made payments toward the commitment in the amount of $1,542,956.				1,542,956

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

LOMPOC UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued) FOR THE YEAR ENDED JUNE 30, 2019

Repayment of debt obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities. The amount paid on the general obligation bonds:		$ 3,225,000
Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when the financial resources are available. This adjustment includes amortization of debt premium and deferred charge on refunding.		
Amortization of debt premium	$ 228,909	
Amortization of deferred charge on refunding	(65,762)	
Combined Adjustment		163,147
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds decreased by $60,187, and second, $305,146 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(244,959)
Change in Net Position of Governmental Activities		**$ (4,211,077)**

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

LOMPOC UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

		Agency Funds
ASSETS		
Deposits and investments	$	750,249
Receivables		12,908
Stores inventories		174
Total Assets	$	763,331
LIABILITIES		
Accounts payable	$	4,012
Due to student groups		759,319
Total Liabilities	$	763,331

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Lompoc Unified School District (the District) was unified on July 1, 1960, under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates nine elementary schools, two middle schools, two high schools, a continuation high school, an adult education program, and an independent study program.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Lompoc Unified School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance and revenues and other financing sources of $7,105,250, and $100,677, and a decrease in expenditures and other financing uses of $1,466,293, respectively.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (Education Code Section 42840).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. 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.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in 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 the 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. Eliminations have been made to minimize the double counting of internal activities.

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

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on 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 that 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. For the District, available generally means expected to be received within ninety days of fiscal 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 reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on general long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2019, 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 the Santa Barbara County Investment Pool are determined by the program sponsor.

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental and agency funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds and fiduciary fund types when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. 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 but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated, if applicable.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability and reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively, and bond issuance costs as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charge on refunding of debt, for pension related items, and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items, and for OPEB related items.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $14,675,760, of restricted net position.

Interfund Activity

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

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.

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 of Santa Barbara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	$	34,516,132
Fiduciary funds		750,249
Total Deposits and Investments	$	35,266,381

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	$	722,066
Cash in revolving		10,000
Investments		34,534,315
Total Deposits and Investments	$	35,266,381

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; and collateralized mortgage obligations.

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

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by holding the majority of its investments in the Santa Barbara County Treasury pool. The Pool purchases shorter term investments and attempts to time cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of $34,534,315, with the Santa Barbara County Treasury Investment Pool. The average weighted maturity for this pool was 289 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Santa Barbara County Treasury Investment Pool is currently not rated, nor is required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, $198,755, of the District's bank balance of $874,943, was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

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

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

Investment Type	Reported Amount	Uncategorized
Santa Barbara County Treasury Investment Pool	$ 34,534,315	$ 34,534,315

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Fund
Federal Government					
Categorical aid	$ 3,144,374	$ -	$ 802,416	$ 3,946,790	$ -
State Government					
Categorical aid	132,772	-	56,126	188,898	-
Lottery	252,066	-	-	252,066	-
Special education	68,168	-	-	68,168	-
Local Government					
SELPA	246,973	-	-	246,973	-
Interest	92,742	22,521	32,815	148,078	-
Other local sources	313,290	-	29,352	342,642	12,908
Total	$ 4,250,385	$ 22,521	$ 920,709	$ 5,193,615	$ 12,908

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 9,336,000	$ -	$ -	$ 9,336,000
Construction in process	1,379,701	2,431,031	3,009,305	801,427
Total Capital Assets Not Being Depreciated	10,715,701	2,431,031	3,009,305	10,137,427
Capital Assets Being Depreciated				
Land improvements	18,019,327	2,420,792	-	20,440,119
Buildings and improvements	122,866,621	2,458,841	-	125,325,462
Furniture and equipment	16,303,811	238,063	-	16,541,874
Total Capital Assets Being Depreciated	157,189,759	5,117,696	-	162,307,455
Less Accumulated Depreciation				
Land improvements	7,659,741	852,769	-	8,512,510
Buildings and improvements	66,991,213	4,016,533	-	71,007,746
Furniture and equipment	11,038,532	872,142	-	11,910,674
Total Accumulated Depreciation	85,689,486	5,741,444	-	91,430,930
Governmental Activities Capital Assets, Net	$ 82,215,974	$ 1,807,283	$ 3,009,305	$ 81,013,952

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 3,257,826
Home-to-school transportation	225,179
All other pupil services	194,579
Plant services	2,063,860
Total Depreciation Expenses Governmental Activities	$ 5,741,444

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2019, between major governmental funds and non-major governmental funds are as follows:

	Due From		
Due To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 235,776	$ 235,776
Non-Major Governmental Funds	406,316	-	406,316
Total	$ 406,316	$ 235,776	$ 642,092

A balance of $29,289 due to the General Fund from the Adult Education Non-Major Governmental Fund is for reimbursement of payroll expenditures and indirect cost charges.

A balance of $206,487 due to the General Fund from the Cafeteria Non-Major Governmental Fund is for reimbursement of payroll expenditures and indirect cost charges.

A balance of $56,316 due to the Cafeteria Non-Major Governmental Fund from the General Fund is for program contributions.

A balance of $350,000 due to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects from the General Fund is for future capital outlay.

Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

The General Fund tranferred $350,000 to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects to provide for projects accounted for in that fund.

The General Fund tranferred $54,231 to the Cafeteria Non-Major Governmental Fund to reimburse for operating costs in that fund.

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Funds
Salaries and benefits	$ 3,393,613	$ 80,929	$ 3,474,542	$ -
LCFF apportionment	24,613	-	24,613	-
Supplies and materials	1,442,074	170,062	1,612,136	-
Services	1,167,952	157,262	1,325,214	-
Capital outlay	554,417	438,794	993,211	-
Other vendor payables	6,127	381	6,508	4,012
Total	$ 6,588,796	$ 847,428	$ 7,436,224	$ 4,012

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

	General Fund
Federal financial assistance	$ 95,315
State categorical aid	185,530
Other local	27,402
Total	$ 308,247

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	$ 22,236,529	$ 305,146	$ 3,225,000	$ 19,316,675	$ 3,565,000
Premium on issuance	1,603,610	-	228,909	1,374,701	-
Early retirement incentives	170,083	382,089	95,816	456,356	217,743
Supplemental Early Retirement Plan	1,404,810	4,202,755	1,542,956	4,064,609	1,542,956
Compensated absences	1,102,064	-	268,213	833,851	-
Net other postemployment benefits (OPEB) liability	5,645,428	751,992	42,612	6,354,808	-
	$ 32,162,524	$ 5,641,982	$ 5,403,506	$ 32,401,000	$ 5,325,699

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the early retirement incentive and the Supplemental Early Retirement Plan were made by the General Fund. The compensated absences will be paid by the fund for which the employee worked. Payments for net other postemployment benefits (OPEB) liabilities are paid by the General Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Accreted	Redeemed	Bonds Outstanding End of Year
5/1/2008	8/1/2022	3.50-5.25%	$ 21,605,971	$ 12,906,529	$ -	$ 305,146	$ 2,825,000	$ 10,386,675
4/15/2015	6/1/2032	2.00-5.00%	9,920,000	9,330,000	-	-	400,000	8,930,000
				$ 22,236,529	$ -	$ 305,146	$ 3,225,000	$ 19,316,675

2008 General Obligation Refunding Bonds

In May 2008, the District issued $21,605,971 of the 2008 General Obligation Refunding Bonds. The 2008 Refunding Bonds were issued as both current interest and capital appreciation bonds, with the capital appreciation bonds accreting interest to a maturity value of $4,485,000. The bonds mature through August 1, 2022, with interest rates ranging from 3.50 to 5.25 percent. Proceeds from the sale of the bonds were used to refund portions of the General Obligation Bonds, Election of 2002, the General Obligation Bonds, Election of 2002, Series B, and pay costs of issuance of the refunding bonds. At June 30, 2019, the principal balance outstanding was $10,386,675.

2015 General Obligation Refunding Bonds

In April 2015, the District issued $9,920,000 of the 2015 General Obligation Refunding Bonds. The 2015 Bonds were issued as current interest bonds. The bonds were issued at an aggregate price of $10,622,193 (representing the principal amount of $9,920,000 and premium of $918,137, less cost of issuance of $215,944). The bonds have a final maturity to occur on June 1, 2032, with interest rates ranging from 2.00 to 5.00 percent. Proceeds from the sale of the bonds were used to refund portions of the District's outstanding General Obligation Bonds, Election of 2002, Series C. As of June 30, 2019, the principal balance outstanding was $8,930,000.

Debt Service Requirements to Maturity

The bonds mature through 2032 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2020	$ 3,565,000	$ -	$ 622,419	$ 4,187,419
2021	3,975,000	-	430,988	4,405,988
2022	3,772,951	607,049	320,181	4,700,181
2023	1,088,724	136,276	295,181	1,520,181
2024	735,000	-	264,181	999,181
2025-2029	3,380,000	-	852,806	4,232,806
2030-2032	2,800,000	-	180,875	2,980,875
Total	$ 19,316,675	$ 743,325	$ 2,966,631	$ 23,026,631

Early Retirement Incentives

The District provides early retirement incentives, in accordance with District employment contracts, to employees who retire from the District and meet certain eligibility requirements. Employees have various payment options, ranging from a lump-sum payment to payments over several years.

Classified Management Early Retirement Plans:

Classified management employees with at least 15 years of full-time CalPERS service in the District and attainment of age 57 are eligible to participate in this early retirement incentive program. Qualifying employees receive 17 percent of their last 12 months' salary for a maximum of five years. Currently, 25 retirees meet those eligibility requirements. The outstanding contract amount for this purpose is $456,356.

At June 30, 2019, future minimum payments on early retirement incentive were as follows:

Fiscal Year	Balance June 30, 2019
2020	$ 217,743
2021	146,625
2022	91,988
Total	$ 456,356

Supplemental Early Retirement Incentives

Classified Employees:

Classified employees with at least five years of full-time CalPERS service in the District and attainment of age 50 were eligible to participate in this supplemental early retirement incentive program. Qualifying employees receive a payment each year for medical insurance benefits. Eligible participants receive 80 percent of their final annual pay deposited to an IRC Section 403 (b) account in five annual installments. There are 75 participants in the plan.

At June 30, 2019, future minimum payments on supplemental early retirement incentives were as follows:

Fiscal Year	Balance June 30, 2019
2020	$ 1,542,956
2021	840,551
2022	840,551
2023	840,551
Total	$ 4,064,609

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to $833,851.

Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 5,789,480	$ 376,964	$ 306,994	$ 517,415
Medicare Premium Payment (MPP) Program	565,328	-	-	(42,612)
Total	$ 6,354,808	$ 376,964	$ 306,994	$ 474,803

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	93
Active employees	741
	834

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. The District does not explicitly contribute towards the cost of these benefits for retirees. Benefits are provided through a third-party insurer. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Lompoc Federation of Teachers (LFT), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, LTF, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District paid $196,317 in benefits in the form of implicit subsidy.

Net OPEB Liability of the District

The District's total OPEB liability of $5,789,480, as measured as of June 30, 2019. The total OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total liability to June 30, 2019The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.50	percent
Salary increases	3.00	percent, average, including inflation
Investment rate of return	3.13	percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	5.00	percent for 2018-2019

The discount rate was based on the index rate for 20-Year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Pre-retirement mortality rates were based on RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2018, valuation was based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

	Total OPEB Liability
Balance at June 30, 2018	$ 5,037,488
Service cost	331,709
Interest	178,835
Changes of assumptions or other inputs	437,765
Benefit payments	(196,317)
Net change in total OPEB liability	751,992
Balance at June 30, 2019	$ 5,789,480

Changes of assumptions and other inputs reflect a change in the discount rate from 3.62 percent in 2018 to 3.13 percent in 2019 and later years.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (2.13%)	$ 6,875,547
Current discount rate (3.13%)	5,789,480
1% increase (4.13%)	4,949,667

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (4.00%)	$ 4,783
Current healthcare cost trend rate (5.00%)	5,789,480
1% increase (6.00%)	7,114,142

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of $517,415. At June 30, 2019, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 376,964	$ 306,994

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 7,871
2021	7,871
2022	7,871
2022	7,871
2023	7,871
Thereafter	30,615
	$ 69,970

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of $565,328, for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.1477 percent, and 0.1445 percent, resulting in a net increase in the proportionate share of 0.0032 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of $(42,612).

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	$ 625,281
Current discount rate (3.87%)	565,328
1% increase (4.87%)	511,195

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 515,522
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	565,328
1% increase (4.7% Part A and 5.1% Part B)	618,893

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 5,000	$ -	$ 5,000	$ 10,000
Stores inventories	54,781	-	44,814	99,595
Prepaid expenditures	103,897	-	1,145	105,042
Total Nonspendable	163,678	-	50,959	214,637
Restricted				
Legally restricted programs	3,215,119	-	2,157,619	5,372,738
Capital projects	-	-	4,720,601	4,720,601
Debt services	-	4,757,446	-	4,757,446
Total Restricted	3,215,119	4,757,446	6,878,220	14,850,785
Assigned				
Textbook adoption	5,181,670	-	-	5,181,670
Supplemental Early Retirement Plan	2,695,346	-	-	2,695,346
2% Board of Education reserve	2,436,566	-	-	2,436,566
Compensated absences	638,383	-	-	638,383
LCFF supplemental/concentration	478,229	-	-	478,229
Deferred maintenance	102,307	-	-	102,307
Technology infrastructure	350,000	-	-	350,000
Seismic design/architect	200,000	-	-	200,000
Capital outlay projects	500,000	-	42,811	542,811
Concurrent enrollment program	78,735	-	-	78,735
Adult education programs	-	-	226,766	226,766
Total Assigned	12,661,236	-	269,577	12,930,813
Unassigned				
Reserve for economic uncertainties	3,654,850	-	-	3,654,850
Remaining unassigned	518,828	-	-	518,828
Total Unassigned	4,173,678	-	-	4,173,678
Total	$ 20,213,711	$ 4,757,446	$ 7,198,756	$ 32,169,913

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District's risk management activities are recorded in the General Fund. The District participates in the various public entity risk pools for health, workers' compensation, and property and liability risks. The participation in public entity risk pools represents a transfer of risk to the pools. Provisions of the agreements with the public entity risk pools provide for additional assessments for deficits within the pool based upon specific calculations. As of June 30, 2019, information was not available that indicates that the District has an outstanding obligation for any calculated deficits. See Note 14 for additional information regarding the pools.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 75,626,337	$ 24,823,152	$ 11,086,297	$ 8,768,188
CalPERS	34,943,367	9,727,289	351,087	6,784,453
Total	$ 110,569,704	$ 34,550,441	$ 11,437,384	$ 15,552,641

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were $7,469,191.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	$ 75,626,337
State's proportionate share of the net pension liability associated with the District	43,299,615
Total	$ 118,925,952

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.0823 percent and 0.0798 percent, resulting in a net increase in the proportionate share of 0.0025 percent.

For the year ended June 30, 2019, the District recognized pension expense of $8,768,188. In addition, the District recognized pension expense and revenue of $1,090,497, for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 7,469,191	$ -
Net change in proportionate share of net pension liability	5,370,692	7,075,692
Difference between projected and actual earnings on pension plan investments	-	2,912,092
Differences between expected and actual experience in the measurement of the total pension liability	234,514	1,098,513
Changes of assumptions	11,748,755	-
Total	$ 24,823,152	$ 11,086,297

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 632,297
2021	(458,812)
2022	(2,443,132)
2023	(642,445)
Total	$ (2,912,092)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 1,992,739
2021	1,992,739
2022	1,992,738
2023	914,858
2024	2,018,963
Thereafter	267,719
Total	$ 9,179,756

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

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

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 110,783,734
Current discount rate (7.10%)	75,626,337
1% increase (8.10%)	46,477,443

<u>California Public Employees' Retirement System (CalPERS)</u>

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were $3,332,732.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $34,943,367. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.1311 percent and 0.1307 percent, resulting in a net increase in the proportionate share of 0.0004 percent.

For the year ended June 30, 2019, the District recognized pension expense of $6,784,453. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,332,732	$ -
Net change in proportionate share of net pension liability	328,243	351,087
Difference between projected and actual earnings on pension plan investments	286,614	-
Differences between expected and actual experience in the measurement of the total pension liability	2,290,759	-
Changes of assumptions	3,488,941	-
Total	$ 9,727,289	$ 351,087

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 1,042,479
2021	249,299
2022	(798,914)
2023	(206,250)
Total	$ 286,614

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 2,688,945
2021	2,294,955
2022	772,956
Total	$ 5,756,856

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 50,875,872
Current discount rate (7.15%)	34,943,367
1% increase (8.15%)	21,725,074

Self-Insured Schools of California (SISC) Defined Benefit Plan Description

The District contributes to the SISC Defined Benefit Plan, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by SISC. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by the SISC Board of Trustees. The SISC Defined Benefit Plan issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the SISC Defined Benefit Plan annual financial report may be obtained from SISC, 1300 17th Street - City Centre, Bakersfield, California 93303.

Active plan members are not required to contribute. 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 SISC Board of Trustees. The required employer contribution rate for fiscal year 2016-2017 was 3.2 percent for previously covered employees hired prior to January 1, 2013, and 1.6 percent for employees hired on or after that date. There are no contribution requirements of the plan members hired prior to January 31, 2013. The District's contributions to the SISC Defined Benefit Plan for the fiscal years ending June 30, 2019, 2018, and 2017, were $51,639, $49,514, and $40,032, respectively, and equal 100 percent of the required contributions.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $3,996,231 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves but have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–2019 contribution on behalf of school employers of $2.246 billion for CalSTRS and $904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule.*

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

Operating Leases

The District has entered into operating leases for copiers with lease terms in excess of one year. The leases expire between October 31, 2017, and March 31, 2021. Total expenditures for fiscal year ended June 30, 2019 were $98,440.

Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2020	$ 98,440
2021	30,691
Total	$ 129,131

Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
HVAC projects - El Camino ES, Maple HS	$ 186,402	7/25/19
LED retrofit - El Camino ES, Lompoc HS	39,842	7/25/19
Switchgear replacement, Lompoc HS	6,355	7/30/19
Asbestos encapsulating, flooring - multiple sites	287,417	8/19/19
Baseball scoreboard - Lompoc HS	50,603	8/30/19
	$ 570,619	

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the Self-Insured Schools of California II and III (SISC II and SISC III), and the Santa Barbara County Schools Self-Insurance Program for Employees (SIPE) public entity risk pools joint powers authority (JPA). The County pays an annual premium to each entity for its property and liability, health benefits, and workers' compensation coverage, respectively. The relationships between the District, the pools, and the JPA are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the County are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2019, the District made payments of $726,076, $10,112,604, and $1,399,871, to SISC II, SISC III, and SIPE, respectively, for services received.

REQUIRED SUPPLEMENTARY INFORMATION

LOMPOC UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual (GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 94,010,138	$ 94,713,040	$ 94,709,443	$ (3,597)
Federal sources	6,184,680	7,694,049	7,013,312	(680,737)
Other State sources	6,618,465	10,173,935	13,986,490	3,812,555
Other local sources	4,415,700	5,529,511	6,648,997	1,119,486
Total Revenues [1]	111,228,983	118,110,535	122,358,242	4,247,707
EXPENDITURES				
Current				
Certificated salaries	47,952,590	48,590,265	48,171,483	418,782
Classified salaries	17,758,274	18,521,730	18,511,676	10,054
Employee benefits	21,775,267	27,739,647	31,360,402	(3,620,755)
Books and supplies	4,751,402	5,829,608	3,894,247	1,935,361
Services and operating expenditures	10,684,617	11,278,071	10,416,620	861,451
Other outgo	5,246,890	5,695,319	5,543,098	152,221
Capital outlay	1,022,480	1,582,380	2,060,270	(477,890)
Total Expenditures [1]	109,191,520	119,237,020	119,957,796	(720,776)
Excess (Deficiency) of Revenues Over Expenditures	2,037,463	(1,126,485)	2,400,446	3,526,931
Other Financing Uses				
Transfers out	(300,000)	(2,300,000)	(404,231)	1,895,769
NET CHANGE IN FUND BALANCES	1,737,463	(3,426,485)	1,996,215	5,422,700
Fund Balance - Beginning	18,217,496	18,217,496	18,217,496	-
Fund Balance - Ending	$ 19,954,959	$ 14,791,011	$ 20,213,711	$ 5,422,700

[1] Due to the consolidation of Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these funds is included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets. On behalf payments of $4,091,616 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 331,709	$ 357,192
Interest	178,835	157,563
Changes of assumptions or other inputs	437,765	(412,854)
Benefit payments	(196,317)	(195,228)
Net change in total OPEB liability	751,992	(93,327)
Total OPEB liability - beginning	5,037,488	5,130,815
Total OPEB liability - ending	$ 5,789,480	$ 5,037,488
Covered payroll	N/A[1]	N/A[1]
District's total OPEB liability as a percentage of covered payroll	N/A[1]	N/A[1]

[1] The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2019

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.1477%	0.1445%
District's proportionate share of the net OPEB liability	$ 565,328	$ 607,940
District's covered-employee payroll	N/A[1]	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
District's proportion of the net pension liability	0.0823%	0.0798%
District's proportionate share of the net pension liability	$ 75,626,337	$ 73,815,363
State's proportionate share of the net pension liability associated with the District	43,299,615	43,668,545
Total	$ 118,925,952	$ 117,483,908
District's covered - employee payroll	$ 43,541,594	$ 43,443,068
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	173.69%	169.91%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS		
District's proportion of the net pension liability	0.1311%	0.1307%
District's proportionate share of the net pension liability	$ 34,943,367	$ 31,193,627
District's covered - employee payroll	$ 17,871,045	$ 16,680,616
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	195.53%	187.01%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

2017	2016	2015
0.0857%	0.0948%	0.0830%
$ 69,338,738	$ 63,849,154	$ 48,497,613
39,473,307	33,769,164	29,284,952
$ 108,812,045	$ 97,618,318	$ 77,782,565
$ 43,596,803	$ 40,718,829	$ 38,955,594
159.05%	156.80%	124.49%
70%	74%	77%
0.1350%	0.1273%	0.1310%
$ 26,658,156	$ 18,756,783	$ 14,874,020
$ 16,318,494	$ 13,803,101	$ 13,781,650
163.36%	135.89%	107.93%
74%	79%	83%

LOMPOC UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
JUNE 30, 2019

	2019	2018
CalSTRS		
Contractually required contribution	$ 7,469,191	$ 6,283,052
Contributions in relation to the contractually required contribution	7,469,191	6,283,052
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 45,879,552	$ 43,541,594
Contributions as a percentage of covered - employee payroll	16.28%	14.43%
CalPERS		
Contractually required contribution	$ 3,332,732	$ 2,775,552
Contributions in relation to the contractually required contribution	3,332,732	2,775,552
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 18,451,622	$ 17,871,045
Contributions as a percentage of covered - employee payroll	18.062%	15.531%

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

2017		2016		2015	
$	5,465,138	$	4,677,937	$	3,615,832
	5,465,138		4,677,937		3,615,832
$	-	$	-	$	-
$	43,443,068	$	43,596,803	$	40,718,829
	12.58%		10.73%		8.88%
$	2,316,604	$	1,933,252	$	1,624,763
	2,316,604		1,933,252		1,624,763
$	-	$	-	$	-
$	16,680,616	$	16,318,494	$	13,803,101
	13.888%		11.847%		11.771%

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Change in Benefit Terms – There were no changes in the benefit terms since the previous valuation.

Change of Assumptions – Changes of assumptions reflect a change in the discount rate from 3.62 percent in 2018 to 3.13 percent in 2019 and later years.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

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

Changes of Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

LOMPOC UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Impact Aid	84.041	[1]	$ 1,364,726
Passed through California Department of Education (CDE):			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	2,295,792
Title I, School Improvement (CSI) Funding for LEAs	84.010A	15438	614
Teacher Quality Partnerships Grant Cluster:			
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	461,582
Title III, Immigrant Student Program	84.365	15146	10,674
Title III, English Learner Student Program	84.365	14346	265,154
Title IV, Part A - Student Support and Academic Enrighment	84.424	15396	93,211
Carl D. Perkins Vocational and Technical Education:			
Secondary, Section 131	84.048	14894	82,641
Passed through Santa Barbara SELPA			
Special Education (IDEA) Cluster:			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,717,303
IDEA Preschool Grants, Part B, Sec 619	84.173	13430	60,299
Subtotal Special Education (IDEA) Cluster			1,777,602
Total - U.S. Department of Education			6,351,996
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Care Services:			
Medicaid Cluster			
Medi-Cal Administrative Activities (MAA)	93.778	10060	407,113
Medi-Cal Billing Option	93.778	10013	127,884
Subtotal Medicaid Cluster			534,997
Total U.S. Department of Health and Human Services			534,997
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Especially Needy Breakfast Program	10.553	13526	653,233
National School Lunch Program	10.555	13396	2,470,439
Commodities	10.555	13396	307,407
Meal Supplements	10.556	13392	52,052
Seamless Summer Feeding Program, Operating	10.559	13004	46,290
Seamless Summer Feeding Program, Administration	10.559	13006	4,819
Subtotal Child Nutrition Cluster			3,534,240
Total Federal Programs			$ 10,421,233

[1] Direct funded program

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

ORGANIZATION

The Lompoc Unified School District was established on July 1, 1960. The District currently operates nine elementary schools, two middle schools, two high schools, a continuation high school, an adult education program, and an independent study program. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Steve Straight	President	2022
Dick Barrett	Vice President	2020
Jeff Carlovsky	Clerk	2020
Bill Heath	Member	2022
Nancy Schuler-Jones	Member	2022

ADMINISTRATION

Trevor McDonald	Superintendent
John Karbula	Assistant Superintendent, Business Services
Bree Valla	Assistant Superintendent, Human Resources
Kathi L. Froemming	Assistant Superintendent, Education Services

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,850.47	2,852.62
Fourth through sixth	2,048.76	2,048.65
Seventh and eighth	1,462.00	1,453.98
Ninth through twelfth	2,653.56	2,642.50
Total Regular ADA	9,014.79	8,997.75
Extended Year Special Education		
Transitional kindergarten through third	3.32	3.32
Fourth through sixth	3.66	2.50
Seventh and eighth	1.06	1.06
Ninth through twelfth	2.22	2.22
Total Extended Year Special Education	10.26	9.10
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	-	0.15
Seventh and eighth	0.99	0.97
Ninth through twelfth	1.00	1.00
Total Special Education, Nonpublic, Nonsectarian Schools	1.99	2.12
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	0.42	0.28
Community Day School		
Seventh and eighth	6.04	6.32
Ninth through twelfth	7.73	8.00
Total Community Day School School	13.77	14.32
Total ADA	9,041.23	9,023.57

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	48,296	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,400	180	N/A	Complied
Grade 2		50,400	180	N/A	Complied
Grade 3		50,400	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,012	180	N/A	Complied
Grade 5		54,012	180	N/A	Complied
Grade 6		54,012	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		61,040	180	N/A	Complied
Grade 8		61,040	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,817	180	N/A	Complied
Grade 10		64,817	180	N/A	Complied
Grade 11		64,817	180	N/A	Complied
Grade 12		64,817	180	N/A	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

There were no adjustments to the Unaudited Actual Financial Report that required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

	(Budget) 2020 [1]	2019	(as restated) 2018	2017
GENERAL FUND [3]				
Revenues	$ 113,284,444	$ 122,257,565	$ 111,538,616	$ 106,775,897
Other sources	2,800,000	-	-	681,465
Total Revenues and Other Sources	116,084,444	122,257,565	111,538,616	107,457,362
Expenditures	116,069,494	119,124,089	109,272,025	103,917,732
Other uses and transfers out	-	2,704,231	10,936,179	1,600,000
Total Expenditures and Other Uses	116,069,494	121,828,320	120,208,204	105,517,732
INCREASE (DECREASE) IN FUND BALANCE	$ 14,950	$ 429,245	$ (8,669,588)	$ 1,939,630
ENDING FUND BALANCE	$ 13,123,412	$ 13,108,462	$ 12,679,217	$ 21,348,805
AVAILABLE RESERVES [2]	$ 5,689,351	$ 4,173,678	$ 3,606,247	$ 3,715,532
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [4]	4.90%	3.54%	3.00%	3.52%
LONG-TERM OBLIGATIONS	N/A	$ 32,401,000	$ 32,162,524	$ 35,416,217
K-12 AVERAGE DAILY ATTENDANCE AT P-2	8,991	9,041	9,126	9,153

The General Fund balance has decreased by $6,451,192 over the past two years. The fiscal year 2019-2020 budget projects an increase of $14,950 (0.1 percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2019-2020 fiscal year. Total long-term obligations have decreased by $3,015,217 over the past two years.

Average daily attendance has decreased by 112 over the past two years. An additional decline of 50 ADA is anticipated during fiscal year 2019-2020.

[1] Budget 2020 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

[3] General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund and the Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

[4] On behalf payments of $4,091,616 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2019

Name of Charter School	Included in Audit Report
Manzanita Public Charter School (0973)	No

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
ASSETS					
Deposits and investments	$ 1,351,083	$ 724,541	$ 1,380,379	$ 3,452,973	$ 6,908,976
Receivables	4,643	890,450	7,311	18,305	920,709
Due from other funds	-	56,316	-	350,000	406,316
Prepaid expenses	1,145	-	-	-	1,145
Stores inventories	-	44,814	-	-	44,814
Total Assets	$ 1,356,871	$ 1,716,121	$ 1,387,690	$ 3,821,278	$ 8,281,960
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 123,480	$ 278,392	$ 299,716	$ 145,840	$ 847,428
Due to other funds	29,289	206,487	-	-	235,776
Total Liabilities	152,769	484,879	299,716	145,840	1,083,204
Fund Balances:					
Nonspendable	1,145	49,814	-	-	50,959
Restricted	976,191	1,181,428	1,087,974	3,632,627	6,878,220
Assigned	226,766	-	-	42,811	269,577
Total Fund Balances	1,204,102	1,231,242	1,087,974	3,675,438	7,198,756
Total Liabilities and Fund Balances	$ 1,356,871	$ 1,716,121	$ 1,387,690	$ 3,821,278	$ 8,281,960

See accompanying note to supplementary information.

LOMPOC UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
REVENUES					
Federal sources	$ -	$ 3,534,240	$ -	$ -	$ 3,534,240
Other State sources	2,018,026	381,419	-	-	2,399,445
Other local sources	9,510	722,856	374,951	862,664	1,969,981
Total Revenues	2,027,536	4,638,515	374,951	862,664	7,903,666
EXPENDITURES					
Current					
Instruction	518,293	-	-	-	518,293
Instruction-related activities:					
Supervision of instruction	127,605	-	-	-	127,605
School site administration	320,104	-	-	-	320,104
Pupil services:					
Food services	-	4,436,480	-	-	4,436,480
All other pupil services	68,506	-	-	-	68,506
Administration:					
All other administration	44,750	203,381	-	-	248,131
Plant services	6,237	59,525	-	122,081	187,843
Facility acquisition and construction	-	7,858	627,245	1,743,900	2,379,003
Total Expenditures	1,085,495	4,707,244	627,245	1,865,981	8,285,965
Excess (Deficiency) of Revenues Over Expenditures	942,041	(68,729)	(252,294)	(1,003,317)	(382,299)
Other Financing Sources					
Transfers in	-	54,231	-	350,000	404,231
NET CHANGE IN FUND BALANCES	942,041	(14,498)	(252,294)	(653,317)	21,932
Fund Balance - Beginning	262,061	1,245,740	1,340,268	4,328,755	7,176,824
Fund Balance - Ending	$ 1,204,102	$ 1,231,242	$ 1,087,974	$ 3,675,438	$ 7,198,756

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that have been recorded in the current period that have not been expended as of June 30, 2019. These unspent balances are reported as legally restricted balances in the General Fund.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 10,547,552
Medi-Cal Billing Option	93.778	(126,319)
Total Schedule of Expenditures of Federal Awards		$ 10,421,233

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.

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. The District as met its target funding. 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 1986-87 requirements, as required by *Education Code* Section 46201.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

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 chartered by the District and whether or not the Charter School is included in the District's audit.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S 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*

Governing Board
Lompoc Unified School District
Lompoc, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lompoc Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Lompoc Unified School District's basic financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Lompoc Unified School District in a separate letter dated December 16, 2019.

Purpose of this Report

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

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Lompoc Unified School District
Lompoc, California

Report on Compliance for Each Major Federal Program

We have audited Lompoc Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lompoc Unified School District's major Federal programs for the year ended June 30, 2019. Lompoc Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Lompoc Unified School District's compliance.

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Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Lompoc Unified School District
Lompoc, California

Report on State Compliance

We have audited Lompoc Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Lompoc Unified School District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Lompoc Unified School District's State programs based on our audit of the types of compliance requirements referred to above. 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 *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Lompoc Unified 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 opinions. Our audit does not provide a legal determination of Lompoc Unified School District's compliance with those requirements.

Basis for Qualified Opinion on the After-School Education and Safety Program

As described in the accompanying schedule of findings and questioned costs, Lompoc Unified School District did not comply with requirements regarding the After-School Education and Safety Program, as noted in Finding 2019-001. Compliance with such requirements is necessary, in our opinion, for Lompoc Unified School District to comply with the requirements applicable to that program.

Qualified Opinion on the After-School Education and Safety Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Lompoc Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Programs

In our opinion, Lompoc Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Lompoc Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below

	Procedures Performed
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not offer an Independent Study – Course Based Program; therefore, we did not perform any procedures for the Independent Study – Course Based Program.

The Charter School is independent of the District; therefore, we did not perform any procedures related to charter schools.

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019

Schedule of Findings and Questioned Costs

LOMPOC UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A - Basic Grants Low Income and Neglected

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Type of auditor's report issued on compliance for State programs:	Unmodified

Unmodified for all programs except for the following program which was qualified:

Name of Program
After-School Education and Safety

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

LOMPOC UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

The following findings represent instances of noncompliance relating to State program laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2019-001 Code 40000, After School Education and Safety Program

Criteria or Specific Requirements

According to *Education Code* Section 8483(a)(1), elementary school pupils are to participate in the full day of the After School Education and Safety Program every day during which pupils participate and pupils in middle or junior high schools are to attend the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy.

The District has an implemented policy that elementary school students must attend the afterschool program at least 15 hours per week. Students may be released early for participation in enrichment activities such as sports, arts, music, field trips or tutoring and at the parents' discretion for medical or religious purposes. Students may not be released or leave the program without an early release indicating the student's name and the activity or specific reason they are leaving the program earlier than required.

Adequate documentation that supports attendance participation must be maintained by each site that documents that students are attending the program as consistent with the early release policy.

Condition

During our review of the attendance/participation records (sign in/out sheets) and early release forms for Fillmore Elementary School, we noted that numerous students were signed out early without a reason noted. These students were included in the total attendance reported by the District on the first semi-annual report for the 2018-2019 fiscal year. We were unable to agree the totals reported on the first semi-annual report to the sign-out sheets for the site when those leaving early without documentation were removed from the count.

Questioned Costs

There are no questioned costs associated with the condition identified.

Context

The condition identified was determined through a review of the attendance records for the District's After School Education and Safety program at Fillmore Elementary School. The auditor reviewed sign in/out sheets for the month of November 2018 and noted numerous students who left earlier than 5:30 pm without a reason given.

Effect

As a result of our testing, the District does not appear to be in compliance with *Education Code* Section 8483(a)(1). There are not verifiable records to support students' leaving the program early as established by the District's early release policy. Based on testing, it appears the District overstated the number of students served.

Cause

It appears that the condition identified has materialized as a result of the site's inconsistent application of the District's early release policy.

Recommendation

The District should ensure adequate review of the attendance reports prior to submission to the California Department of Education to ensure the total number of students served as documented on the manual rosters reconciles to the total number of students reported on the attendance report, excluding students who leave earlier than the established release time based on the early release policy.

Corrective Action Plan

The District will revise the Early Release guidelines and process for the After School Education and Safety Program in accordance with the auditor recommendation.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

State Awards Findings

2018-001 Code 40000, After School Education and Safety Program

Criteria or Specific Requirements

According to the 2017-18 Guide for Annual Audits of K – 12 Local Education Agencies and State Compliance Reporting, the District's After School Education and Safety Program is required to give first priority for enrollment to pupils who are identified by the program as homeless youth or in foster care at the time they apply for enrollment.

Condition

The District's After School Education and Safety Program does not have a policy to identify and give first priority for enrollment to homeless youth or those in foster care.

Questioned Costs

There are no questioned costs associated with this finding.

Context

The condition was identified as a result of a review of the District's program documents and inquiry with those responsible for the program.

Effect

The District is not in compliance with the requirements of the After-School Education and Safety Program as described in the 2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

Cause

The condition identified appears to have materialized due to the District's lack of awareness of the requirements for the program.

Recommendation

The District should revise its enrollment guidelines for the After-School Education and Safety Program to ensure that homeless youth and those in foster care are given first priority for enrollment

Current Status

Implemented

Management
Lompoc Unified School District
Lompoc, California

In planning and performing our audit of the financial statements of Lompoc Unified School District (the District) for the year ended June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 16, 2019, on the government-wide financial statements of the District.

ASSOCIATED STUDENT BODY (ASB) ACCOUNTS

Internal Controls

Lompoc Valley Middle School

<u>Observations</u>

1. None of the four receipts tested were deposited in a timely manner due to cash collections being held by teachers and advisors for extended periods of time. The delay of the deposits was over 20 days.
2. Two of five disbursements tested were not approved prior to the transaction taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
3. None of the five disbursements tested contained documentation indicating that goods had been received.
4. Four of five fundraisers reviewed did not have revenue potential forms or sales analyses completed after the fundraiser. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.
5. November and December 2018 bank reconciliations were not dated so the auditor could not determine if they were completed within an acceptable time span.

<u>Recommendations</u>

1. The ASB should, at a minimum, make deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
3. All goods being ordered should be documented with receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
4. As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained, and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.
5. Timely and accurate bank account reconciliations and review are prudent and necessary. Monthly bank reconciliations should be performed to ensure that the cash balances reported on the books are accurate and that the financial institution has not made a mistake. According to the Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference, bank reconciliations should be performed within two weeks of receiving the bank statements on a monthly basis. In order to have proper segregation of duties, best practices would be that an individual that is not preparing the bank reconciliations and financial statements is reviewing and signing off on them. It is vital to the review process that the preparer is separate from the actual person depositing and generating checks from the clearing account. The individual responsible for reviewing the bank reconciliation should sign and date the face of the reconciliation to show a proper and timely review was performed.

Cabrillo High School

<u>Observations</u>

1. The ASB bookkeeper is an authorized signer on the disbursement checks.
2. The site maintains a change fund to provide change drawers during events. This change fund is not maintained as an asset account on the balance sheet, thereby understating the total assets and ensuring an accounting for the amounts. The change fund that is maintained by the school site is $800.

Management
Lompoc Unified School District

Recommendations

1. In order to have proper segregation of duties, best practice is that an individual who is responsible for the accounting of the ASB not be an authorized signer on checks.
2. According to the policies and procedures outlined in the Fiscal Crisis and Management Assistance Team's manual titled, ASB Accounting Manual, Fraud Prevention Guide and Desk Reference, a change fund is normally checked out from the bookkeeper for individual fundraisers or activities and should be used solely for making change. Expenditures should not be made from this account under any circumstances. When the fundraiser is complete, the change fund should be deposited back into the bank account. If it is not deposited, it should be accounted for as an asset on the balance sheet.

We will review the status of the current year comments during our next audit engagement.

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019