

**SANTA PAULA UNIFIED
SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2018**

SANTA PAULA UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2018
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Financial Section

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INDEPENDENT AUDITORS' REPORT

Governing Board
Santa Paula Unified School District
Santa Paula, 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 Santa Paula Unified School District, as of and for the fiscal year ended June 30, 2018, 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.

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Change in Accounting Principle

As discussed in Note 1.I.1. to the basic financial statements, the District has changed its method for accounting and reporting for postemployment benefits other than pensions during fiscal year 2017-18 due to the adoption of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The adoption of this standard required retrospective application resulting in a \$11,360,949 reduction of previously reported net position at July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, and the notes to the required supplementary information 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 District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis 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*, and is also not a required part of the basic financial statements. The supplementary information on pages 58 to 63 and the schedule of expenditures of federal awards on page 64 are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 57 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro+Nigro, PC

Murrieta, California
December 10, 2018

SANTA PAULA UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2018

This discussion and analysis of Santa Paula Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's overall financial status declined from last year as the net position decreased by 43.2% to \$4.2 million.
- Total governmental revenues were \$75.7 million, \$3.2 million less than expenses.
- The total cost of basic programs was \$78.8 million. Because a portion of these costs was paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was just \$65.1 million.
- Average daily attendance (ADA) in grades K-12 decreased by 130, or 2.5%.

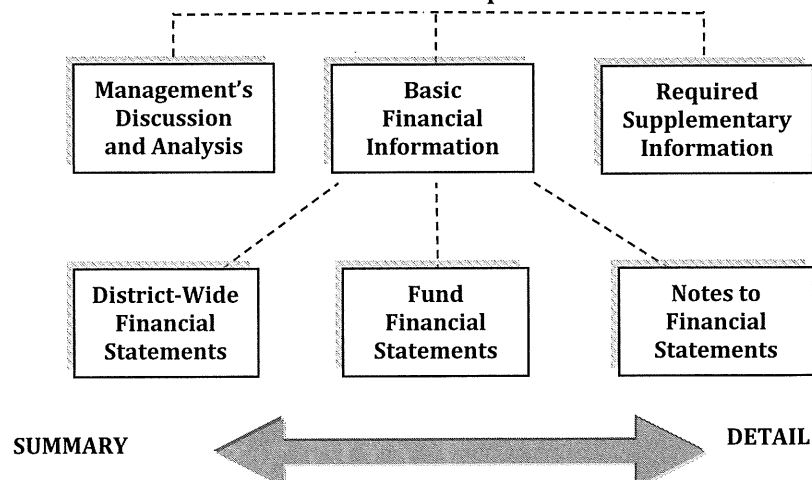
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - The *fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Santa Paula Unified School District's Annual Financial Report



SANTA PAULA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain non-financial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

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

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, namely, the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2018, than it was the year before – decreasing 43.2% to \$4.2 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance
	2018	2017*	Increase (Decrease)
Assets			
Current assets	\$ 43,552,455	\$ 48,872,299	\$ (5,319,844)
Capital assets	59,279,975	55,431,595	3,848,380
Total assets	102,832,430	104,303,894	(1,471,464)
Deferred outflows of resources	29,458,234	23,711,225	5,747,009
Liabilities			
Current liabilities	4,982,142	7,166,871	(2,184,729)
Long-term liabilities	53,922,278	53,326,777	595,501
Net pension liability	66,918,805	57,148,110	9,770,695
Total liabilities	125,823,225	117,641,758	8,181,467
Deferred inflows of resources	2,309,826	3,053,976	(744,150)
Net position			
Net investment in capital assets	33,664,078	31,334,802	2,329,276
Restricted	12,058,258	12,764,971	(706,713)
Unrestricted	(41,564,723)	(36,780,388)	(4,784,335)
Total net position	\$ 4,157,613	\$ 7,319,385	\$ (3,161,772)

* As restated

Changes in net position, governmental activities. The District's total revenues increased 0.4% to \$75.7 million (See Table A-2). The increase is due primarily to increases in federal and state awards.

The total cost of all programs and services increased 2.5% to \$78.8 million. The District's expenses are predominantly related to educating and caring for students, 79.4%. The purely administrative activities of the District accounted for just 6.0% of total costs. A significant contributor to the increase in costs was repairs to district facilities damaged in the Thomas Fire as well as a negotiated cost of living pay increase.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance
	2018	2017	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	\$ 313,262	\$ 1,358,698	\$ (1,045,436)
Operating grants and contributions	13,461,914	14,272,815	(810,901)
Capital grants and contributions	10,424	3,873	6,551
General Revenues:			
Property taxes	10,743,889	8,881,717	1,862,172
Federal and state aid not restricted	50,328,766	50,085,302	243,464
Other general revenues	821,548	790,334	31,214
Total Revenues	75,679,803	75,392,739	287,064
Expenses			
Instruction-related	53,960,533	52,911,395	1,049,138
Pupil services	8,650,618	8,429,396	221,222
Administration	4,695,370	4,469,168	226,202
Plant services	7,867,770	6,901,305	966,465
All other activities	3,667,284	4,242,891	(575,607)
Total Expenses	78,841,575	76,954,155	1,887,420
Increase (decrease) in net position	(3,161,772)	(1,561,416)	\$ (1,600,356)
Total Net Position	\$ 4,157,613	\$ 7,319,385	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$39.0 million, which is below last year's ending fund balance of \$42.0 million. The primary cause of the decreased fund balance is due to ongoing general obligation bond construction projects.

Table A-3: The District's Fund Balances

	Fund Balances				
Fund	July 1, 2017	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2018
General Fund	\$ 17,768,696	\$ 69,396,470	\$ 69,852,863	\$ (502,501)	\$ 16,809,802
Adult Education Fund	224,143	347,283	304,396	-	267,030
Cafeteria Fund	171,896	3,339,701	3,551,240	440,028	400,385
Deferred Maintenance Fund	978,542	314,336	246,705	-	1,046,173
Building Fund	12,144,277	146,274	2,194,982	-	10,095,569
Capital Facilities Fund	4,580	80,613	147,666	62,473	-
County School Facilities Fund	806,110	10,424	-	-	816,534
Special Reserve Fund (Capital Outlay)	7,740,014	1,032,999	2,623,163	-	6,149,850
Bond Interest and Redemption Fund	2,083,206	2,775,852	1,527,897	-	3,331,161
Debt Service Fund for Blended Component Units	115,653	5,922	222,711	182,786	81,650
Total	\$ 42,037,117	\$ 77,449,874	\$ 80,671,623	\$ 182,786	\$ 38,998,154

SANTA PAULA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$3.8 million primarily to reflect increases in LCFF, state, federal, and local revenue.
- Salaries and benefits costs – increased by approximately \$1.1 million due to negotiated increase in pay.
- Other costs – increased by \$3.3 million to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$2.6 million, the actual results for the year show that expenditures exceeded revenues by roughly \$0.5 million. Actual revenues were \$2.2 million more than anticipated, and expenditures were \$0.1 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2018, that will be carried over into the 2018-19 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017-18 the District had invested \$5.9 million in new capital assets, related to capital projects throughout the District. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$2.0 million.

Table A-4: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Variance Increase (Decrease)
	2018	2017	
Land	\$ 5,069,856	\$ 5,069,856	\$ -
Artwork	25,795	25,795	-
Land improvements	4,926,326	5,030,627	(104,301)
Buildings and improvements	37,938,712	38,509,049	(570,337)
Equipment and vehicles	800,543	770,149	30,394
Construction in progress	10,518,743	6,026,119	4,492,624
Total	<u>\$ 59,279,975</u>	<u>\$ 55,431,595</u>	<u>\$ 3,848,380</u>

SANTA PAULA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$53.9 million in general obligation bonds, compensated absences, capital leases, and other post employment benefits – an increase of 1.1% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance
	2018	2017*	Increase (Decrease)
General obligation bonds	\$ 37,570,573	\$ 37,760,103	\$ (189,530)
Compensated absences	609,745	459,611	150,134
Capital leases	8,177	18,015	(9,838)
Other postemployment benefits	15,733,783	15,089,048	644,735
Total	<u>\$ 53,922,278</u>	<u>\$ 53,326,777</u>	<u>\$ 595,501</u>

*As restated

FACTORS BEARING ON THE DISTRICT'S FUTURE

The 2018-19 State Budget

Final Budget Package Includes \$15.9 Billion in Total Reserves

The Legislature passed the final budget package on June 14, 2018. Total reserves in the final budget package are lower than the proposed level in the May Revision, but roughly the same as the level proposed by the Governor in January. The budget package also reflects various choices that shifted spending priorities compared to the Governor's proposal. In particular, the final budget package reduces payments for deferred maintenance by \$700 million—relative to the Governor's proposal—freeing up a like amount of funding. Correspondingly, the final budget package reflects higher General Fund spending for homeless grants and the universities, among others. The Governor signed the *2018-19 Budget Act* and 26 other budget related bills on June 27 and June 28, 2018.

Overall Spending

The budget assumed total state spending of \$197.2 billion (excluding federal and bond funds), an increase of 7% over revised totals for 2017-18. General Fund spending in the budget package is \$138.7 billion—an increase of \$11.6 billion, or 9%, over the revised 2017-18 level. Special fund spending increased \$1.3 billion, or 2%, over the revised 2017-18 level.

Considerable New Spending on Education

The budget package contains significant increases for every education segment. For elementary and secondary schools, the state surpasses the Local Control Funding Formula target rates set in 2013-14. For early education, the budget contains higher spending for more slots, rate increases, staff training, and facilities.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

The 2018-19 State Budget (continued)

Proposition 98 Establishes Minimum Spending Level

This minimum spending requirement is commonly called the minimum guarantee. The minimum guarantee is determined by three main formulas (known as tests) and various inputs, including General Fund revenue, per capita personal income, and K-12 student attendance. The state can spend at the minimum guarantee or any level above it. If the minimum guarantee increases after budget enactment due to updated inputs, the state owes a "settle-up" obligation. In some years, the state also creates or pays "maintenance factor." Maintenance factor is created when General Fund revenue growth is weak relative to changes in per capita personal income. Maintenance factor is paid when General Fund revenue growth is stronger.

Higher Proposition 98 Spending in 2016-17 and 2017-18

From the June 2017 budget plan to the June 2018 budget plan, spending increased \$252 million in 2016-17 and \$1.1 billion in 2017-18. These upward revisions are attributable mainly to higher General Fund revenue. As part of the 2017-18 increase, the state is making an additional maintenance factor payment of \$789 million (on top of a previous \$536 million payment). After making the \$1.3 billion total payment, the state will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the state is spending at the calculated minimum guarantee.

2018-19 Spending up Notably Over Revised 2017-18 Level

For 2018-19, total Proposition 98 spending across all segments is \$78.4 billion, an increase of \$2.8 billion (3.7%) from the revised 2017-18 level. Test 2 is the operative test in 2018-19, with the increase in the guarantee attributable to a 3.67% increase in per capita personal income. Though the administration projects a 0.29% decline in student attendance for 2018-19, the budget makes no downward adjustment to the minimum guarantee. This is because the budget assumes that attendance *increases* the previous year (in 2017-18), thereby triggering a hold harmless provision in the State Constitution that negates any attendance declines over the subsequent two years. The budget sets total Proposition 98 spending in 2018-19 equal to the administration's May Revision estimate of the minimum guarantee.

\$67.9 Billion Proposition 98 Spending on K-12 Education in 2018-19

The enacted 2018-19 level is \$2.4 billion (3.6%) more than the revised 2017-18 level and \$3.2 billion (4.9%) more than the 2017-18 Budget Act level. The budget increases spending per student by \$579 (5.2%) over the 2017-18 Budget Act level, bringing Proposition 98 spending per student up to \$11,645.

Package Includes Mix of Ongoing and One-Time Spending

The budget includes \$5.7 billion in Proposition 98 augmentations for K-12 education across the three-year budget period. Of the \$5.7 billion, \$4 billion (70%) is ongoing and \$1.7 billion (30%) is one time. From an accounting perspective, the increase is scored across multiple fiscal years and includes settle-up and some unspent funds from prior years that have been repurposed. In addition to the Proposition 98 increase, the budget includes \$594 million in Proposition 51 bond authority for school facility projects and \$100 million in non-Proposition 98 funding for kindergarten school facilities.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

The 2018-19 State Budget (continued)

Fully Implements the Local Control Funding Formula (LCFF) for Schools, Then Further Increases Rates

In the January budget, the Governor proposed fully implementing LCFF and reaching the target funding rates. The final budget reaches and then goes beyond full implementation. Specifically, the budget closes the gap to the target rates and funds the statutory 2.71% cost-of-living adjustment (COLA) to those rates. In addition, the budget provides nearly an extra 1 percentage point increase in the LCFF rates—effectively funding a 3.7% COLA in 2018-19. The administration estimates that the combined ongoing cost of both full implementation and the augmented COLA is \$3.7 billion. This augmentation brings total LCFF spending for school districts and charter schools to \$61.1 billion, a 6.4% increase over the revised 2017-18 level. School districts and charter schools may use LCFF monies for any educational purpose.

Funds One-Time Discretionary Grants

The largest one-time spending initiative for K-12 education is \$1.1 billion that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on student attendance (an estimated \$183 per average daily attendance). If an LEA owes any funding to the federal government according to a 2014 settlement over Medi-Cal billing practices, the State Controller is to deduct this obligation from the LEA's discretionary grant. The budget assumes that these Medi-Cal obligations total \$145 million statewide (though the administration believes actual payments likely will come in lower). The remainder of each LEA's discretionary grant will be scored against any outstanding mandate claims. As less than one-third of LEAs have any such claims, it is estimated that only \$202 million of the funding provided will count toward the K-12 mandates backlog. It is estimated that the total remaining mandate backlog at the end of 2018-19 will be \$668 million.

All of these factors were considered in preparing the Santa Paula Unified School District budget for the 2018-19 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact the Assistant Superintendent, Business Services at Santa Paula Unified School District, Santa Paula, California at (805) 933-8819.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Total Governmental Activities
ASSETS	
Cash	\$ 40,232,206
Accounts receivable	3,259,342
Inventories	49,057
Prepaid expenses	11,850
Non-depreciable capital assets	15,614,394
Depreciable capital assets	80,074,337
Less, accumulated depreciation	<u>(36,408,756)</u>
Total assets	<u>102,832,430</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	27,942,675
Deferred outflows related to OPEB	474,627
Deferred amounts on refunding	<u>1,040,932</u>
Total deferred outflows	<u>29,458,234</u>
LIABILITIES	
Cash overdraft	1,424
Accounts payable	4,884,200
Unearned revenue	96,518
Long-term liabilities:	
Portion due or payable within one year	2,066,423
Portion due or payable after one year	51,855,855
Net pension liability	<u>66,918,805</u>
Total liabilities	<u>125,823,225</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>2,309,826</u>
NET POSITION	
Net investment in capital assets	33,664,078
Restricted for:	
Capital projects	6,966,384
Debt service	3,412,811
Categorical programs	1,679,063
Unrestricted	<u>(41,564,723)</u>
Total net position	<u>\$ 4,157,613</u>

SANTA PAULA UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					
Instructional Services:					
Instruction	\$ 44,836,032	\$ 180,093	\$ 6,956,599	\$ 10,424	\$ (37,688,916)
Instruction-Related Services:					
Supervision of instruction	2,184,190	11,967	539,297	-	(1,632,926)
Instructional library, media and technology	1,789,679	157	25,376	-	(1,764,146)
School site administration	5,150,632	2,764	134,199	-	(5,013,669)
Pupil Support Services:					
Home-to-school transportation	370,303	11,303	168,137	-	(190,863)
Food services	3,776,718	20,648	3,197,556	-	(558,514)
All other pupil services	4,503,597	3,837	441,895	-	(4,057,865)
General Administration Services:					
Data processing services	320,666	-	-	-	(320,666)
Other general administration	4,374,704	1,280	252,531	-	(4,120,893)
Plant services	7,867,770	58,568	1,619,716	-	(6,189,486)
Ancillary services	728,176	57	5,081	-	(723,038)
Community services	76,039	-	7	-	(76,032)
Interest on long-term debt	1,055,981	-	-	-	(1,055,981)
Other outgo	1,807,088	22,588	121,520	-	(1,662,980)
Total Governmental Activities	<u>\$ 78,841,575</u>	<u>\$ 313,262</u>	<u>\$ 13,461,914</u>	<u>\$ 10,424</u>	<u>(65,055,975)</u>
General Revenues:					
Property taxes					10,743,889
Federal and state aid not restricted to specific purpose					50,328,766
Interest and investment earnings					278,251
Miscellaneous					<u>543,297</u>
Total general revenues					<u>61,894,203</u>
Change in net position					<u>(3,161,772)</u>
Net position - July 1, 2017, as originally stated					18,680,334
Restatement - change in accounting principle					<u>(11,360,949)</u>
Net position - July 1, 2017, as restated					<u>7,319,385</u>
Net position - June 30, 2018					<u>\$ 4,157,613</u>

SANTA PAULA UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2018

	General Fund	Cafeteria Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 18,271,515	\$ 197,303	\$ 10,521,409	\$ 5,490,429	\$ 5,751,550	\$ 40,232,206
Accounts receivable	2,609,866	532,436	64,724	38,461	13,855	3,259,342
Due from other funds	704,353	340,028	-	1,171,497	62,473	2,278,351
Inventories	-	49,057	-	-	-	49,057
Prepaid expenditures	11,850	-	-	-	-	11,850
Total Assets	<u>\$ 21,597,584</u>	<u>\$ 1,118,824</u>	<u>\$ 10,586,133</u>	<u>\$ 6,700,387</u>	<u>\$ 5,827,878</u>	<u>\$ 45,830,806</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ 1,424	\$ 1,424
Accounts payable	3,159,609	31,743	490,564	550,537	223,906	4,456,359
Due to other funds	1,573,998	644,353	-	-	60,000	2,278,351
Unearned revenue	54,175	42,343	-	-	-	96,518
Total Liabilities	<u>4,787,782</u>	<u>718,439</u>	<u>490,564</u>	<u>550,537</u>	<u>285,330</u>	<u>6,832,652</u>
Fund Balances						
Nonspendable	18,490	49,057	-	-	-	67,547
Restricted	1,016,874	351,328	10,095,569	6,149,850	4,491,149	22,104,770
Committed	822,823	-	-	-	1,046,173	1,868,996
Assigned	829,759	-	-	-	5,226	834,985
Unassigned	14,121,856	-	-	-	-	14,121,856
Total Fund Balances	<u>16,809,802</u>	<u>400,385</u>	<u>10,095,569</u>	<u>6,149,850</u>	<u>5,542,548</u>	<u>38,998,154</u>
Total Liabilities and Fund Balances	<u>\$ 21,597,584</u>	<u>\$ 1,118,824</u>	<u>\$ 10,586,133</u>	<u>\$ 6,700,387</u>	<u>\$ 5,827,878</u>	<u>\$ 45,830,806</u>

SANTA PAULA UNIFIED SCHOOL DISTRICT***Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018***

Total fund balances - governmental funds **\$ 38,998,154**

Amounts reported for governmental *activities* in the statement of net position are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$95,688,731 and the accumulated depreciation is (\$36,408,756). 59,279,975

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: (427,841)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the year were: 1,040,932

In governmental funds, deferred outflows and inflows of resources related to other postemployment benefits (OPEB) are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported. 474,627

Deferred outflows of resources

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

Deferred outflows of resources	27,942,675	
Deferred inflows of resources	<u>(2,309,826)</u>	25,632,849

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

General obligation bonds payable	(37,570,573)	
Compensated absences payable	(609,745)	
Capital leases payable	(8,177)	
Other post employment benefits	<u>(15,733,783)</u>	(53,922,278)

The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements. (66,918,805)

Total net position - governmental activities **\$ 4,157,613**

SANTA PAULA UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2018

	General Fund	Cafeteria Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCFF sources	\$ 55,278,811	\$ -	\$ -	\$ -	\$ 300,000	\$ 55,578,811
Federal sources	3,656,273	3,106,473	-	-	-	6,762,746
Other state sources	6,650,122	193,891	-	326,015	371,831	7,541,859
Other local sources	3,811,264	39,337	146,274	706,984	2,862,599	7,566,458
Total Revenues	69,396,470	3,339,701	146,274	1,032,999	3,534,430	77,449,874
EXPENDITURES						
Current:						
Instruction	42,106,258	-	-	-	201,665	42,307,923
Instruction-related services:						
Supervision of instruction	2,050,673	-	-	-	88,717	2,139,390
Instructional library, media and technology	1,594,352	-	-	-	-	1,594,352
School site administration	4,856,739	-	-	-	-	4,856,739
Pupil support services:						
Home-to-school transportation	370,303	-	-	-	-	370,303
Food services	127,506	3,420,929	-	-	-	3,548,435
All other pupil services	4,336,890	-	-	-	-	4,336,890
Ancillary services	712,369	-	-	-	-	712,369
Community services	68,211	-	-	-	-	68,211
General administration services:						
Data processing services	302,354	-	-	-	-	302,354
Other general administration	3,898,651	-	-	-	29,557	3,928,208
Plant services	6,666,292	7,533	58,549	68,245	38,027	6,838,646
Transfers of indirect costs	(122,778)	122,778	-	-	-	-
Capital outlay	1,068,595	-	2,136,433	2,554,918	340,801	6,100,747
Intergovernmental transfers	1,806,088	-	-	-	-	1,806,088
Debt service:						
Issuance costs	-	-	-	-	182,786	182,786
Principal	9,838	-	-	-	484,142	493,980
Interest	522	-	-	-	1,083,680	1,084,202
Total Expenditures	69,852,863	3,551,240	2,194,982	2,623,163	2,449,375	80,671,623
Excess (Deficiency) of Revenues Over (Under) Expenditures	(456,393)	(211,539)	(2,048,708)	(1,590,164)	1,085,055	(3,221,749)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	-	440,028	-	-	62,473	502,501
Interfund transfers out	(502,501)	-	-	-	-	(502,501)
Proceeds from refunding bonds	-	-	-	-	6,560,000	6,560,000
Premiums on refunding bonds	-	-	-	-	1,015,707	1,015,707
Transfers to escrow agent for defeased debt	-	-	-	-	(7,392,921)	(7,392,921)
Total Other Financing Sources and Uses	(502,501)	440,028	-	-	245,259	182,786
Net Change in Fund Balances	(958,894)	228,489	(2,048,708)	(1,590,164)	1,330,314	(3,038,963)
Fund Balances, July 1, 2017	17,768,696	171,896	12,144,277	7,740,014	4,212,234	42,037,117
Fund Balances, June 30, 2018	\$ 16,809,802	\$ 400,385	\$ 10,095,569	\$ 6,149,850	\$ 5,542,548	\$ 38,998,154

SANTA PAULA UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities For the Fiscal Year Ended June 30, 2018

Total net change in fund balances - governmental funds \$ (3,038,963)

Amounts reported for governmental *activities* in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	5,873,706	
Depreciation expense	<u>(2,025,326)</u>	
		3,848,380

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 7,877,063

In governmental funds, postemployment benefits (OPEB) expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer contributions were: (170,108)

In governmental funds, if debt is issued at a premium or a discount, the premium or discount is recorded as an other financing source or use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of the premium and discount for the period is: 228,248

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. Accreted interest earned exceeded the accreted interest paid by: (330,236)

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between the accrual-basis pension costs and actual employer contributions was: (4,172,627)

Deferred charges on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The amortization of deferred charges on refunding for the current period is: 418,463

In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount were: (7,575,707)

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (96,151)

In the statement of activities, compensated absences 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*). (150,134)

Change in net position of governmental activities \$ (3,161,772)

SANTA PAULA UNIFIED SCHOOL DISTRICT*Statement of Fiduciary Net Position**June 30, 2018*

	Agency Funds
	Student Body Funds
Assets	
Cash	\$ 315,460
Inventories	5,369
Total Assets	<u>\$ 320,829</u>
Liabilities	
Due to student groups	\$ 320,829
Total Liabilities	<u>\$ 320,829</u>

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Santa Paula Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Santa Paula School and Golden West Schools Financing Authorities (the Authorities) financial activity are presented in the financial statements as the Debt Service for Blended Component Units Fund. Certificates of participation and other debt issued by the Authorities are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements are not prepared for the Authorities.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation (continued)

Government-Wide Financial Statements (continued)

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements

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

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Cafeteria Fund: This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

Building Fund: This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.

Special Reserve Fund for Capital Outlay Projects: This fund is used to account for funds set aside for Board designated construction projects.

Non-Major Governmental Funds

The District reports the following non-major governmental funds:

Special Revenue Funds:

Adult Education Fund: This fund is used to account for resources related to the operation of adult education programs maintained by the District.

Deferred Maintenance Fund: This fund is used to account for resources committed to major repair or replacement of District property.

Capital Projects Funds:

Capital Facilities Fund: This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Projects Funds: (continued)

County School Facilities Fund: This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

Debt Service Funds:

Bond Interest and Redemption Fund: This Fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Debt Service Fund for Blended Component Units: This fund is used to account for the debt service activity of the Golden West Schools and Santa Paula Schools Financing Authority.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary fund:

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not.

2. Measurement Focus, Basis of Accounting

Government-Wide and Fiduciary Fund Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

3. 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. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California 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 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.

C. Budgetary Data

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

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

D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Cash and Cash Equivalents

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

2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	25-50 years
Land Improvements	25-50 years
Furniture and Equipment	5-15 years

4. 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 combined balance sheet and revenue is recognized.

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

5. Deferred Outflows/Inflows of Resources

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

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

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. 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 Santa Paula Unified School District Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan 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.

8. 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 District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition 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. Investments are reported at fair value.

9. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Fund Balances (continued)

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Minimum Fund Balance Policy

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of revenue shortfalls or unanticipated expenditures. Pursuant to the Criteria and Standards for fiscal solvency adopted by the State Board of Education, the Reserve for Economic Uncertainties (REU) required for districts this size is 3% of total General Fund operating expenditures, including other financing sources and uses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Minimum Fund Balance Policy (continued)

The District has adopted a minimum fund balance policy, which states that the Board intends to maintain a minimum fund balance equal to at least two months of General Fund operating expenditures, or 17 percent of General Fund expenditures and other financing uses. If the unassigned balance falls below this level due to an emergency situation, unexpected expenditures, or revenue shortfalls, the Board shall develop a plan to recover the fund balance.

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.

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

I. New GASB Pronouncements

During the 2017-18 fiscal year, the following GASB Pronouncements became effective:

1. In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits, or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

2. In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.
3. In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:
 - Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
 - Reporting amounts previously reported as goodwill and "negative" goodwill
 - Classifying real estate held by insurance entities
 - Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
 - Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
 - Recognizing on-behalf payments for pensions or OPEB in employer financial statements
 - Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
 - Classifying employer-paid member contributions for OPEB
 - Simplifying certain aspects of the alternative measurement method for OPEB
 - Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.
4. In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 2 – CASH

Cash at June 30, 2018, is reported at fair value and consisted of the following:

	Governmental Funds/Activities	Fiduciary Funds
Pooled Funds:		
Cash in county treasury	\$ 40,140,814	\$ -
Deposits:		
Cash on hand and in banks	1,678	315,460
Cash in revolving fund	6,640	-
Cash with fiscal agent	81,650	-
Total Deposits	89,968	315,460
Total Cash	\$ 40,230,782	\$ 315,460

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2018, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits

Custodial credit risk 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. Cash balances held in banks are insured up to \$250,000 by the Federal Depositary Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2018, \$88,727 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 2 – CASH (continued)

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 date 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 Ventura 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.

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Cafeteria Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Totals
Federal Government:						
Categorical aid programs	\$ 1,534,675	\$ 492,848	\$ -	\$ -	\$ -	\$ 2,027,523
State Government:						
Lottery	230,809	-	-	-	-	230,809
Categorical aid programs	222,408	33,349	-	-	-	255,757
Local:						
Interest	119,354	1,925	64,724	38,461	13,855	238,319
Special Education	160,227	-	-	-	-	160,227
Miscellaneous	342,393	4,314	-	-	-	346,707
Total	<u>\$ 2,609,866</u>	<u>\$ 532,436</u>	<u>\$ 64,724</u>	<u>\$ 38,461</u>	<u>\$ 13,855</u>	<u>\$ 3,259,342</u>

SANTA PAULA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2018*

NOTE 4 - INTERFUND ACTIVITIES**A. Balances Due To/From Other Funds**

Balances due/to other funds at June 30, 2018, consisted of the following:

	Due from other funds				
	General Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 340,028	\$ 1,171,497	\$ 62,473	\$ 1,573,998
Cafeteria Fund	644,353	-	-	-	644,353
Non-Major Governmental Funds	60,000	-	-	-	60,000
Total	<u>\$ 704,353</u>	<u>\$ 340,028</u>	<u>\$ 1,171,497</u>	<u>\$ 62,473</u>	<u>\$ 2,278,351</u>

General Fund due to Cafeteria for a contribution	\$ 340,028
General Fund due to Special Reserve Fund for Capital Outlay Projects for clean energy and CTEIG funds	1,171,497
General Fund due to Capital Facilities Fund for cash loan	62,473
Cafeteria Fund due to General Fund to pay off temporary cash transfers and indirect costs	644,353
Capital Facilities due to General Fund for cash loan	60,000
Total	<u>\$ 2,278,351</u>

B. Transfers To/From Other Funds

Transfers between funds during the year consisted of the following:

General Fund to Cafeteria Fund to cover payroll expenditures during the Thomas fires	\$ 440,028
General Fund to Capital Facilities Fund to cover lost developer fee revenues due to the Thomas fires	62,473
Total	<u>\$ 502,501</u>

SANTA PAULA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2018***NOTE 5 – FUND BALANCES**

At June 30, 2018, fund balances of the District's governmental funds were classified as follows:

	General Fund	Cafeteria Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable:						
Revolving cash	\$ 6,640	\$ -	\$ -	\$ -	\$ -	\$ 6,640
Stores inventories	-	49,057	-	-	-	49,057
Prepaid expenditures	11,850	-	-	-	-	11,850
Total Nonspendable	18,490	49,057	-	-	-	67,547
Restricted:						
Categorical programs	1,016,874	351,328	-	-	261,804	1,630,006
Capital projects	-	-	10,095,569	6,149,850	816,534	17,061,953
Debt service	-	-	-	-	3,412,811	3,412,811
Total Restricted	1,016,874	351,328	10,095,569	6,149,850	4,491,149	22,104,770
Committed:						
Deferred maintenance program	-	-	-	-	1,046,173	1,046,173
Textbook adoption	822,823	-	-	-	-	822,823
Total Committed	822,823	-	-	-	1,046,173	1,868,996
Assigned:						
Teacher Induction Program	4,716	-	-	-	-	4,716
QRIS	7,946	-	-	-	-	7,946
MAA	317,097	-	-	-	-	317,097
East Area One School Startup	500,000	-	-	-	-	500,000
Other Assigned	-	-	-	-	5,226	5,226
Total Assigned	829,759	-	-	-	5,226	834,985
Unassigned:						
Reserve for economic uncertainties	2,095,586	-	-	-	-	2,095,586
Remaining unassigned balances	12,026,270	-	-	-	-	12,026,270
Total Unassigned	14,121,856	-	-	-	-	14,121,856
Total	\$ 16,809,802	\$ 400,385	\$ 10,095,569	\$ 6,149,850	\$ 5,542,548	\$ 38,998,154

SANTA PAULA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2017	Additions	Retirements	Balance, June 30, 2018
Capital assets not being depreciated:				
Land	\$ 5,069,856	\$ -	\$ -	\$ 5,069,856
Artwork	25,795	-	-	25,795
Construction in progress	6,026,119	5,096,768	604,144	10,518,743
Total capital assets not being depreciated	11,121,770	5,096,768	604,144	15,614,394
Capital assets being depreciated:				
Land improvements	6,091,576	54,345	-	6,145,921
Buildings and improvements	67,193,671	1,137,915	-	68,331,586
Equipment and vehicles	5,408,008	188,822	-	5,596,830
Total capital assets being depreciated	78,693,255	1,381,082	-	80,074,337
Accumulated depreciation for:				
Land improvements	(1,060,949)	(158,646)	-	(1,219,595)
Buildings and improvements	(28,684,622)	(1,708,252)	-	(30,392,874)
Equipment and vehicles	(4,637,859)	(158,428)	-	(4,796,287)
Total accumulated depreciation	(34,383,430)	(2,025,326)	-	(36,408,756)
Total capital assets being depreciated, net	44,309,825	(644,244)	-	43,665,581
Governmental activity capital assets, net	\$ 55,431,595	\$ 4,452,524	\$ 604,144	\$ 59,279,975

Depreciation expense is allocated to the instruction function in the statement of activities.

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2018, were as follows:

	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 34,813,353	\$ 6,560,000	\$ 7,867,225	\$ 33,506,128	\$ 1,760,480
Accreted interest component	1,537,048	378,011	47,775	1,867,284	69,520
Unamortized issuance premium	1,494,982	1,015,707	235,354	2,275,335	235,353
Unamortized issuance discount	(85,280)	-	(7,106)	(78,174)	(7,107)
Total - Bonds	37,760,103	7,953,718	8,143,248	37,570,573	2,058,246
Compensated Absences	459,611	150,134	-	609,745	-
Capital Leases	18,015	-	9,838	8,177	8,177
Other Postemployment Benefits	15,089,048	1,380,109	735,374	15,733,783	-
Totals	\$ 53,326,777	\$ 9,483,961	\$ 8,888,460	\$ 53,922,278	\$ 2,066,423

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Compensated absences and OPEB payments will be paid for by the fund for which the employee worked. Capital lease payments are made by the General Fund.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds

2000 General Obligation Bonds (Measure D)

Bonds were authorized at an election of the registered voters of Santa Paula Elementary School District held on March 7, 2000 at which 55 percent of the voters authorized the issuance and sale of general obligation bonds not to exceed \$10,000,000. The bonds proceeds were used to finance the repair and modernization of existing and new school facilities. On June 15, 2000, the district issued \$3,000,000 of Series A bonds. On May 29, 2002, the district issued \$4,000,000 of Series B bonds. On May 18, 2005, the District issued \$3,000,000 of Series C bonds. Series A and B under this authorization have been fully defeased by subsequent refunding bonds, as described further in this note.

2008 General Obligation Bonds (Measure Q)

On November 4, 2008, the District was authorized at an election of the registered voters of Santa Paula Union High School District to issue \$39,000,000 in general obligation bonds. The bonds were authorized in order to finance the acquisition, construction, improvement, furnishing and equipping of school facilities for the District. On December 3, 2009, the district issued \$7,800,000 of Series A bonds. On May 16, 2012, the District issued \$6,999,546 of Series B bonds. On October 12, 2016, the District issued \$3,000,000 of Series C bonds.

2016 General Obligation Refunding Bonds

On October 12, 2016, the District issued \$6,545,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0% and 4.0% with annual maturities from August 1, 2017 through August 1, 2034. The net proceeds of \$6,863,051 (after premiums of \$477,876 and issuance costs of \$159,824), were used to advance refund a portion of the District's outstanding Election of 2008, Series A General Obligation Bonds. Deferred amounts on refunding as of June 30, 2018 of \$579,922 remain to be amortized. As of June 30, 2018, the principal balance outstanding on the defeased debt amounted to \$6,125,000.

2017 General Obligation Refunding Bonds

On September 14, 2017, the District issued \$6,560,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0% and 5.0% with annual maturities from August 1, 2018 through August 1, 2028. The net proceeds of \$7,392,921 (after premiums of \$1,015,707 and issuance costs of \$182,786), were used to advance refund the outstanding District's outstanding Election of 2000, Series C General Obligation Bonds as well as the District's outstanding 2007 Refunding Bonds.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2018 of \$461,000 remain to be amortized. As of June 30, 2018, the principal balance has been repaid.

The refunding decreased the District's total debt service payments by \$901,823. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$847,213.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2016 Election General Obligation Bonds

On June 7, 2016, the District was authorized at an election of the registered voters of the Improvement District to issue \$39,600,000 principal amount of general obligation bonds. The bonds were authorized for the purpose of financing the acquiring, constructing, improving, furnishing and equipping school facilities within the Improvement District. On October 27, 2016, the District issued \$10,000,000 of Series A bonds (2016A).

Source of Repayment on Bonds

The Bonds are general obligations of the District only. The Board of Supervisors of the County has the power and is obligated to levy and collect ad valorem property taxes for each fiscal year upon the taxable property of the District to pay the principal and interest on each bond as they become due and payable.

Following is a summary of bonds issued by the District and outstanding as of June 30, 2018:

Bond	Interest Rate	Date of Issue	Maturity Date	Amount of Original Issue	Outstanding, July 1, 2017	Additions	Deductions	Refunded	Outstanding, June 30, 2018
ELEMENTARY SCHOOL DISTRICT									
Measure D (2000)									
Series C	4.0%-6.0%	5/18/2005	8/1/2020	\$ 3,000,000	\$ 365,000	\$ -	\$ 85,000	\$ 280,000	\$ -
GOLDEN WEST SCHOOLS FINANCING AUTHORITY									
Refunding Issue (High School)									
2005 Revenue	3.0%-4.5%	8/3/2005	11/1/2028	1,580,000	290,000	-	140,000	-	150,000
SANTA PAULA SCHOOLS FINANCING AUTHORITY									
Refunding Issue (Elementary)									
2007 Revenue	4.0%-4.375%	6/27/2007	11/1/2028	9,990,000	6,995,000	-	385,000	6,610,000	-
HIGH SCHOOL DISTRICT									
Measure Q (2008)									
Series A	4.0%-6.0%	12/3/2009	8/1/2034	7,800,000	745,000	-	235,000	-	510,000
Series B	2.5%-3.25%	5/16/2012	8/1/2041	6,999,546	6,873,353	-	57,225	-	6,816,128
Series C	3.25%-5.0%	10/27/2016	8/1/2044	3,000,000	3,000,000	-	-	-	3,000,000
SANTA PAULA UNIFIED SCHOOL DISTRICT									
Refunding Issue									
2016 Refunding	2.0%-4.0%	10/27/2016	8/1/2034	6,545,000	6,545,000	-	75,000	-	6,470,000
2017 Refunding	2.0%-5.0%	9/14/2017	8/1/2028	6,560,000	-	6,560,000	-	-	6,560,000
SCHOOL FACILITIES IMPROVEMENT DISTRICT									
2016 Authorization									
Series 2016A	2.0%-4.0%	10/27/2016	8/1/2046	10,000,000	10,000,000	-	-	-	10,000,000
					<u>\$ 34,813,353</u>	<u>\$ 6,560,000</u>	<u>\$ 977,225</u>	<u>\$ 6,890,000</u>	<u>\$ 33,506,128</u>
Accreted Interest:									
				2008, Series B	<u>1,537,048</u>	<u>378,011</u>	<u>47,775</u>	<u>-</u>	<u>1,867,284</u>
					<u>\$ 1,537,048</u>	<u>\$ 378,011</u>	<u>\$ 47,775</u>	<u>\$ -</u>	<u>\$ 1,867,284</u>

SANTA PAULA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2018*

NOTE 7 – GENERAL LONG-TERM DEBT (continued)**A. General Obligation Bonds (continued)**

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2018, were as follows:

Fiscal Year	Principal	Interest	Total
2018-2019	\$ 1,760,480	\$ 1,081,251	\$ 2,841,731
2019-2020	1,646,230	1,061,165	2,707,395
2020-2021	936,563	992,857	1,929,420
2021-2022	995,000	903,368	1,898,368
2022-2023	1,120,000	968,094	2,088,094
2023-2028	6,020,000	4,884,281	10,904,281
2028-2033	4,185,001	4,994,079	9,179,080
2033-2038	5,117,414	5,832,580	10,949,994
2038-2043	6,415,440	5,635,116	12,050,556
2043-2047	5,310,000	441,250	5,751,250
Total	<u>\$ 33,506,128</u>	<u>\$ 26,794,041</u>	<u>\$ 60,300,169</u>

B. Capital Leases

The District has entered into lease agreements to lease copiers having a capitalized cost of \$46,967 under agreements that provide for a bargain purchase option at the expiration of the lease period and where the lease term is most of the equipment's full life. Future minimum lease payments to be made in 2018-19 are \$8,321 with \$144 representing interest. The District will receive no sublease rental revenues nor pay any contingent rentals for the copiers.

NOTE 8 – JOINT VENTURES

The Santa Paula Unified School District participates in three joint powers agreement (JPA) entities, the Ventura County Schools Self-Funding Authority (VCSSFA), Coastal Schools Employee Benefits Organization (CSEBO), and the Ventura County Fast Action School Transit Authority (VCFASTA). The relationship between the Santa Paula Unified School District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The VCSSFA provides workers compensation, property and liability coverage for its member school districts through a varying combination of self-insurance and excess coverage. The VCFASTA was established July 1, 1995 for the purpose of providing a county wide distribution system for carrying documents and materials to and from the Ventura County Office of Education and participating public agencies. The CSEBO offers members self-insured programs in medical, dental, and vision benefits. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 8 – JOINT VENTURES (continued)

Condensed audited financial information is as follows:

	VCSSFA June 30, 2017	CSEBO June 30, 2017	VCFSTA June 30, 2017
Assets	\$ 113,684,619	\$ 8,928,011	\$ 30,459
Deferred Outflows	367,055	-	-
Liabilities	51,405,001	6,377,938	21,626
Deferred Inflows	55,306	-	-
Net Position	<u>\$ 62,591,367</u>	<u>\$ 2,550,073</u>	<u>\$ 8,833</u>
Revenues	\$ 26,663,117	\$ 60,203,053	\$ 99,975
Expenses	19,190,998	57,863,849	119,488
Operating Income	7,472,119	2,339,204	(19,513)
Non-Operating Income	854,400	64,550	435
Change in Net Position	<u>\$ 8,326,519</u>	<u>\$ 2,403,754</u>	<u>\$ (19,078)</u>

NOTE 9 – RISK MANAGEMENT

Property and Liability and Workers' Compensation

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District participated in the Ventura County Schools Self-Funding Authority public entity risk pool for property and liability insurance coverage and workers' compensation coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Employee Medical Benefits

The District has contracted with Coastal Schools Employee Benefits Organization (CSEBO) to provide employee medical, dental, and vision benefits.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

B. Construction Commitments

At June 30, 2018, the District had approximately \$4.1 million with respect to unfinished capital projects to be paid from a combination of state and local funds.

C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2018.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS

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

For the fiscal year ended June 30, 2018, 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	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 47,117,980	\$ 18,549,093	\$ 2,076,696	\$ 6,414,523
CalPERS	19,800,825	9,393,582	233,130	4,030,167
Total	<u>\$ 66,918,805</u>	<u>\$ 27,942,675</u>	<u>\$ 2,309,826</u>	<u>\$ 10,444,690</u>

The details of each plan are as follows:

A. 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, 2016, 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% 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.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

Benefits Provided (continued)

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, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
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%	9.205%
Required Employer Contribution Rate	14.43%	14.43%
Required State Contribution Rate	9.328%	9.328%

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% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were \$4,075,813.

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

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

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 47,117,980
State's proportionate share of the net pension liability associated with the District	11,003,869
Total	<u>\$ 58,121,849</u>

SANTA PAULA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

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

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017	Change Increase/ (Decrease)
Measurement Date	June 30, 2017	June 30, 2016	
Proportion of the Net Pension Liability	0.050949%	0.051000%	-0.000051%

For the year ended June 30, 2018, the District recognized pension expense of \$6,414,523. In addition, the District recognized pension expense and revenue of \$2,266,803 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,075,813	\$ -
Net change in proportionate share of net pension liability	5,569,878	-
Difference between projected and actual earnings on pension plan investments	-	1,254,883
Changes of assumptions	8,729,156	-
Differences between expected and actual experience in the measurement of the total pension liability	174,246	821,813
Total	<u>\$ 18,549,093</u>	<u>\$ 2,076,696</u>

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. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability 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 7 years.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 1,394,606
2020	3,227,255
2021	2,551,666
2022	1,322,767
2023	2,532,815
Thereafter	1,367,475
Total	<u>\$ 12,396,584</u>

Actuarial Methods and Assumptions

Total pension liability for STRS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 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% 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.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

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, 2017, 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 7.1%. 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 (7.1%) 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%)	\$ 69,184,154
Current discount rate (7.10%)	47,117,980
1% increase (8.10%)	29,209,785

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 \$496,730 (9.328% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

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, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically 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, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
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%	6.00%
Required Employer Contribution Rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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.

SANTA PAULA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2018***NOTE 11 – PENSION PLANS (continued)****B. California Public Employees Retirement System (CalPERS) (continued)****Contributions (continued)**

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, 2018, are presented above and the total District contributions were \$1,699,521.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$19,800,825. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017	
Measurement Date	<u>June 30, 2017</u>	<u>June 30, 2016</u>	
Proportion of the Net Pension Liability	0.082944%	0.080500%	0.002444%

For the year ended June 30, 2018, the District recognized pension expense of \$4,030,167. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,699,521	\$ -
Net change in proportionate share of net pension liability	3,407,484	-
Difference between projected and actual earnings on pension plan investments	684,973	-
Changes of assumptions	2,892,222	233,130
Differences between expected and actual experience in the measurement of the total pension liability	709,382	-
Total	<u>\$ 9,393,582</u>	<u>\$ 233,130</u>

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. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 4 years.

SANTA PAULA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2018*

NOTE 11 – PENSION PLANS (continued)**B. California Public Employees Retirement System (CalPERS) (continued)****Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 1,875,040
2020	4,327,031
2021	1,533,584
2022	(274,724)
2023	-
Thereafter	-
Total	<u>\$ 7,460,931</u>

Actuarial Methods and Assumptions

Total pension liability for SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvements, using Scale BB published by the Society of Actuaries.

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 single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administration expenses.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 - PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

The target asset allocation and best estimates of 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	47%	5.38%
Fixed Income	19%	2.27%
Inflation Assets	6%	1.39%
Private Equity	12%	6.63%
Real Estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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%)	\$ 29,133,359
Current discount rate (7.15%)	19,800,825
1% increase (8.15%)	12,058,707

C. Social Security

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

D. Payables to the Pension Plans

At June 30, 2018, the District reported payables of \$47,651 and \$13,079 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2018.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

A. General Information about the OPEB Plan

Plan description

The District's defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided

The postretirement health plans and the District's obligation vary by employee group as described below.

The District provides for medical/Rx benefits through the Coastal Schools Employee Benefits Organization (CSEBO), a pooled, self-insured Joint Powers Authority offering health insurance to area school districts. Retirees under age 65 have the same rates as active employees. The District also offers dental coverage through Delta Dental and vision coverage through VSP.

The following medical plans are available through CSEBO: Anthem Blue Cross PPO (90, 80, 70), Anthem Blue Cross HMO (80, 60, 10, 30), and Kaiser HMO (10, 30).

Certificated employees may retire with District-paid medical, dental and vision benefits after reaching age 55 and completing at least 10 years of consecutive service with the District in a position requiring certification. Benefits are paid for 5 years (10 years for SPUHSD employees hired prior to January 1, 2006) or until age 65, if earlier.

Classified employees who work at least 6 hours per day (or at least 4 hours per day if hired by SPESD prior to March 1, 1989) may retire with District-paid medical, dental and vision benefits for a period depending on their having met the following age and service requirements:

- Age 55 and 10 years of service - benefits for 5 years or until age 65, if earlier
- Age 55 and 15 years of service - benefits for 7 years or until age 65, if earlier
- Age 55 and 20 years of service - benefits until age 65

Classified employees hired by SPUHSD between July 1, 2001 and June 30, 2013 who work at least 4 hours per day but less than 6 hours per day receive pro-rated benefits. Classified employees hired by SPUHSD before July 1, 2001 who work at least 4 hours per day receive full benefits.

Benefits are limited to the annual dollar amounts the District contributed to the benefit package at the time of retirement, currently \$12,180 per year for 2017-18. The cost of dental and vision insurance is added on to the District dollar limit for medical insurance.

Certificated Management retirees receive the same benefits as Certificated bargaining unit retirees (as described above). Classified Management and unrepresented retirees receive the same benefits as Classified bargaining unit retirees (as described above).

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (continued)

A. General Information about the OPEB Plan (continued)

Employees covered by benefit terms

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	42
Active employees	456
Total	498

Medicare Premium Payment (MPP) Program

The Medicare Premium Payment Program is a cost-sharing multiple-employer other postemployment benefit plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program, through the Teachers' Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit 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 on a monthly basis.

B. Total OPEB Liability

The District's total OPEB liability of \$15,392,628 for the District Plan was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date. The District's proportionate share of the net MPP Program OPEB liability of \$341,155 was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2016.

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	District Plan	MPP Program
Valuation Date	July 1, 2017	June 30, 2016
Experience Study	July 1, 2015 through June 30, 2017	July 1, 2010, through June 30, 2015
Inflation	3.13 percent	N/A
Salary increases	3.0 percent	N/A
Healthcare cost trend rates	6.0 percent decreasing to 5.0 percent	3.58 percent
Retirees' share of benefit-related costs	Retirees who continue with the District medical plan are offered a subsidy based on specified employment factors	3.7 percent for Medicare Part A, and 4.1 percent for Medicare Part B

District Plan

The discount rate is 3.13%. The average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, Fidelity GO AA 20 Year Bond Index.

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for the pension valuations.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

B. Total OPEB Liability (continued)

MPP Program

The discount rate used to measure the total OPEB liability was 3.58 percent. The MPP Program is funded on a pay-as-you-go basis, 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 3.58 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017, was applied to all periods of projected benefit payments to measure the total OPEB liability.

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 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 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.

C. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	\$ 14,709,527
Changes for the year:	
Service cost	877,018
Interest	469,013
Benefit payments	(662,930)
Net changes	683,101
Balance at June 30, 2018	\$ 15,392,628

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 percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease 2.13%	Discount Rate 3.13%	1% Increase 4.13%
District Plan	\$ 14,194,676	\$ 15,392,628	\$ 16,702,939
	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
MPP Program	\$ 377,682	\$ 341,155	\$ 305,624

SANTA PAULA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2018*

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)**C. Changes in the Total OPEB Liability (continued)****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 percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (5.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (6.0% decreasing to 5.0%)	1% Increase (7.0% decreasing to 6.0%)
District Plan	\$ 14,400,076	\$ 15,392,628	\$ 16,466,194
	1% Decrease (2.7% Part A and 3.1% Part B)	Medicare Cost Trend Rates (3.7% Part A and 4.1% Part B)	1% Increase (4.7% Part A and 5.1% Part B)
MPP Program	\$ 308,285	\$ 341,155	\$ 373,695

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$170,108. The amount reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date of the total OPEB liability will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

E. Payable to the OPEB Plan

At June 30, 2018, the District reported no payable for the outstanding OPEB contributions.

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Required Supplementary Information

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SANTA PAULA UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF Sources	\$ 55,009,927	\$ 55,395,052	\$ 55,278,811	\$ (116,241)
Federal Sources	3,056,716	3,961,197	3,656,273	(304,924)
Other State Sources	2,252,188	4,231,347	6,650,122	2,418,775
Other Local Sources	3,065,012	3,597,561	3,811,264	213,703
Total Revenues	63,383,843	67,185,157	69,396,470	2,211,313
Expenditures				
Current:				
Certificated Salaries	28,266,993	28,776,472	29,107,244	(330,772)
Classified Salaries	10,041,079	10,244,043	10,400,555	(156,512)
Employee Benefits	14,175,924	14,589,977	16,665,268	(2,075,291)
Books and Supplies	4,864,713	6,231,301	4,170,532	2,060,769
Services and Other Operating Expenditures	6,598,718	7,700,305	6,586,504	1,113,801
Transfers of Indirect Costs	(154,885)	(153,913)	(122,778)	(31,135)
Capital Outlay	194,000	1,071,530	1,239,450	(167,920)
Intergovernmental	1,296,000	1,296,000	1,806,088	(510,088)
Total Expenditures	65,282,542	69,755,715	69,852,863	(97,148)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,898,699)	(2,570,558)	(456,393)	2,114,165
Other Financing Sources and Uses				
Interfund Transfers Out	-	(100,000)	(502,501)	(402,501)
Net Change in Fund Balance	(1,898,699)	(2,670,558)	(958,894)	1,711,664
Fund Balances, July 1, 2017	17,768,696	17,768,696	17,768,696	-
Fund Balances, June 30, 2018	\$ 15,869,997	\$ 15,098,138	\$ 16,809,802	\$ 1,711,664

SANTA PAULA UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – Cafeteria Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
Federal Sources	\$ 3,502,697	\$ 3,573,495	\$ 3,106,473	\$ (467,022)
Other State Sources	250,000	250,000	193,891	(56,109)
Other Local Sources	55,800	55,800	39,337	(16,463)
Total Revenues	3,808,497	3,879,295	3,339,701	(539,594)
Expenditures				
Current:				
Classified Salaries	1,322,423	1,315,619	1,275,256	40,363
Employee Benefits	510,174	498,445	475,057	23,388
Books and Supplies	1,778,298	1,881,321	1,588,561	292,760
Services and Other Operating Expenditures	61,700	61,700	47,753	13,947
Transfers of Indirect Costs	146,252	145,280	122,778	22,502
Capital Outlay	39,697	39,697	41,835	(2,138)
Total Expenditures	3,858,544	3,942,062	3,551,240	390,822
Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,047)	(62,767)	(211,539)	(148,772)
Other Financing Sources and Uses				
Interfund Transfers In	50,000	100,000	440,028	340,028
Net change in Fund Balance	(47)	37,233	228,489	191,256
Fund Balances, July 1, 2017	171,896	171,896	171,896	-
Fund Balances, June 30, 2018	\$ 171,849	\$ 209,129	\$ 400,385	\$ 191,256

SANTA PAULA UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2018

	Last Ten Fiscal Years*			
	2017	2016	2015	2014
CalSTRS				
District's proportion of the net pension liability	0.0509%	0.0510%	0.0520%	0.0400%
District's proportionate share of the net pension liability	\$ 47,117,980	\$ 41,249,310	\$ 35,008,480	\$ 23,374,800
State's proportionate share of the net pension liability associated with the District	11,003,868	23,485,954	18,515,577	14,114,855
Totals	\$ 58,121,848	\$ 64,735,264	\$ 53,524,057	\$ 37,489,655
District's covered-employee payroll	\$ 27,195,787	\$ 26,022,134	\$ 23,845,068	\$ 20,106,776
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	173.25%	158.52%	146.82%	116.25%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
CalPERS				
District's proportion of the net pension liability	0.0829%	0.0805%	0.0791%	0.0164%
District's proportionate share of the net pension liability	\$ 19,800,825	\$ 15,898,800	\$ 11,659,418	\$ 1,861,799
District's covered-employee payroll	\$ 10,576,238	\$ 9,644,964	\$ 8,943,488	\$ 7,188,402
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187.22%	164.84%	130.37%	25.90%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

Notes to Schedule:

Changes in Benefit Terms

A summary of the plan provisions that were used for a specific plan can be found in each plan's annual valuation report.

Change of Assumptions and Methods

CalSTRS:

The assumptions used in determining the Total Pension Liability of the STRP changed as a result of the actuarial experience study for the period starting July 1, 2010 and ending June 30, 2015. The assumption changes were to price inflation, wage growth, discount rate and the mortality tables.

CalPERS:

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF B was lowered from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF B from 7.50 percent to 7.00 percent, which is to be phased-in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2017, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2018

	Last Ten Fiscal Years*			
	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	\$ 4,075,813	\$ 3,421,230	\$ 2,792,175	\$ 2,117,442
Contributions in relation to the contractually required contribution	4,075,813	3,421,230	2,792,175	2,117,442
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 28,245,412	\$ 27,195,787	\$ 26,022,134	\$ 23,845,068
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%
CalPERS				
Contractually required contribution	\$ 1,699,521	\$ 1,468,828	\$ 1,145,243	\$ 1,052,738
Contributions in relation to the contractually required contribution	1,699,521	1,468,828	1,145,243	1,052,738
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 10,942,766	\$ 10,576,238	\$ 9,644,964	\$ 8,943,488
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.874%	11.771%

* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

SANTA PAULA UNIFIED SCHOOL DISTRICT***Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2018***

Last 10 Fiscal Years*

	2018
Total OPEB liability	
Service cost	\$ 877,018
Interest	469,013
Benefit payments	(662,930)
Net change in total OPEB liability	<u>683,101</u>
Total OPEB liability - beginning	<u>14,709,527</u>
Total OPEB liability - ending	<u><u>\$ 15,392,628</u></u>
 Covered-employee payroll	 <u>\$ 34,322,151</u>
 Total OPEB liability as a percentage of covered- employee payroll	 <u>44.85%</u>

Notes to Schedule:*No changes to report.*

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

SANTA PAULA UNIFIED SCHOOL DISTRICT**Schedule of Changes in the District's Total OPEB Liability and Related Ratios – MPP Program
For the Fiscal Year Ended June 30, 2018***(Dollars in Thousands, except for District's proportionate share)*

	2018
Total OPEB liability	
Interest	\$ 12,928
Differences between expected and actual experience	(41)
Changes of assumptions	(31,240)
Benefit payments, including refunds of member contributions	(28,929)
Net change in total OPEB liability	(47,282)
Total OPEB liability - beginning	468,031
Total OPEB liability - ending	\$ 420,749
 Plan fiduciary net position	
Contributions - employer	\$ 29,117
Net investment income	11
Premiums paid	(28,929)
Administrative expense	(168)
Net change in plan fiduciary net position	31
Plan fiduciary net position - beginning	10
Plan fiduciary net position - ending	\$ 41
 Net OPEB liability	 \$ 420,708
 District's proportionate share of net OPEB liability	 \$ 341,155
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.01%
 Covered-employee payroll	 N/A
 District's net OPEB liability as a percentage of covered-employee payroll	 N/A

Notes to Schedule:

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.

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Pension Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

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

This schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents information of the measurement date of the net OPEB liability.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2018, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Certificated Salaries	\$ 330,772
Classified Salaries	156,512
Employee Benefits	2,075,291
Transfers of Indirect Costs	31,135
Capital Outlay	167,920
Intergovernmental	510,088
Interfund Transfers Out	402,501
Cafeteria Fund:	
Capital Outlay	2,138

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Supplementary Information

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SANTA PAULA UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2018

The Santa Paula Unified School District was formed effective July 1, 2013, as a unification of Santa Paula Elementary School District and Santa Paula Union High School District. The District covers the central section of Ventura County. There were no changes in the boundaries of the District during the year. The District operates six elementary schools, one middle school, one comprehensive high school, and one continuation school.

GOVERNING BOARD

Member	Office	Term Expires
Michelle Kolbeck	President	November, 2020
Derek Luna	Vice-President	November, 2018
Christina Urias	Clerk	November, 2020
Kelsey Stewart	Member	November, 2018
Pamela Thompson	Member	November, 2020

DISTRICT ADMINISTRATORS

Robert Fraisse,
Superintendent

Christine Schieferle,
Assistant Superintendent, Educational Services

Sheri Staszewski,
Assistant Superintendent, Business Services

Katherine Aguirre,
Executive Director of Special Education & Student Support Services

Tommie Sanchez-Reyes,
Director of Classified Human Resources

SANTA PAULA UNIFIED SCHOOL DISTRICT*Schedule of Average Daily Attendance**For the Fiscal Year Ended June 30, 2018*

	Second Period Report	Annual Report
	Certificate No. (3DF566F5)	Certificate No. (84A29226)
Regular ADA:		
Transitional Kindergarten through Third	1,463.31	1,465.44
Fourth through Sixth	1,211.72	1,212.46
Seventh through Eighth	809.32	808.10
Ninth through Twelfth	1,629.94	1,618.83
Total Regular ADA	5,114.29	5,104.83
Special Education, Nonpublic, Nonsectarian Schools:		
Fourth through Sixth	0.31	0.22
Total ADA	5,114.60	5,105.05

SANTA PAULA UNIFIED SCHOOL DISTRICT*Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2018*

Grade Level	Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar*	Status
Kindergarten	36,000	52,924	165	Complied
Grade 1	50,400	50,794	165	Complied
Grade 2	50,400	50,794	165	Complied
Grade 3	50,400	50,794	165	Complied
Grade 4	54,000	50,794	165	Complied
Grade 5	54,000	50,794	165	Complied
Grade 6	54,000	56,791	165	Complied
Grade 7	54,000	56,791	165	Complied
Grade 8	54,000	56,791	165	Complied
Grade 9	64,800	61,810	165	Complied
Grade 10	64,800	61,810	165	Complied
Grade 11	64,800	61,810	165	Complied
Grade 12	64,800	61,810	165	Complied

* The District had emergency closures; the CDE granted the District a waiver pursuant to Education Code Sections 46200, 46201, 26207, and/or 46208 for 15 days due to the Thomas fires.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2018

General Fund	(Budget) 2019 ²	2018	2017	2016
Revenues and other financing sources	\$ 68,499,109	\$ 69,396,470	\$ 66,557,940	\$ 66,243,639
Expenditures	69,076,625	69,852,863	66,055,949	62,663,388
Other uses and transfers out	-	502,501	1,056,871	50,000
Total outgo	69,076,625	70,355,364	67,112,820	62,713,388
Change in fund balance (deficit)	(577,516)	(958,894)	(554,880)	3,530,251
Ending fund balance	\$ 16,232,286	\$ 16,809,802	\$ 17,768,696	\$ 18,323,576
Available reserves ¹	\$ 13,693,645	\$ 14,121,856	\$ 11,961,654	\$ 11,844,833
Available reserves as a percentage of total outgo	19.8%	20.1%	17.8%	18.9%
Total long-term debt	\$ 118,774,660	\$ 120,841,083	\$ 110,474,887	\$ 74,311,007
Average daily attendance at P-2	5,139	5,115	5,245	5,322

The General Fund balance has decreased by \$1,513,774 over the past two years. The fiscal year 2018-19 adopted budget projects a decrease of \$577,516. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in two of the past three years, and anticipates incurring an operating deficit in the 2018-19 fiscal year. Long-term debt has increased by \$46,530,076 over the past two years.

Average daily attendance has decreased by 207 over the past two years. An increase of 24 ADA is anticipated during fiscal year 2018-19.

¹ Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty in the General Fund.

² Revised Final Budget September, 2018.

SANTA PAULA UNIFIED SCHOOL DISTRICT***Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2018***

	Building Fund
June 30, 2018, annual financial and budget report (SACS) fund balances	\$ 10,542,544
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Accounts payable understated	(446,975)
June 30, 2018, audited financial statement fund balances	<u>\$ 10,095,569</u>

SANTA PAULA UNIFIED SCHOOL DISTRICT
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2018

	Adult Education Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
ASSETS							
Cash	\$ 266,552	\$ 1,260,489	\$ -	\$ 811,698	\$ 3,331,161	\$ 81,650	\$ 5,751,550
Accounts receivable	1,611	7,341	67	4,836	-	-	13,855
Due from other funds	-	-	62,473	-	-	-	62,473
Total Assets	\$ 268,163	\$ 1,267,830	\$ 62,540	\$ 816,534	\$ 3,331,161	\$ 81,650	\$ 5,827,878
LIABILITIES AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ -	\$ 1,424	\$ -	\$ -	\$ -	\$ 1,424
Accounts payable	1,133	221,657	1,116	-	-	-	223,906
Due to other funds	-	-	60,000	-	-	-	60,000
Total Liabilities	1,133	221,657	62,540	-	-	-	285,330
Fund Balances							
Restricted	261,804	-	-	816,534	3,331,161	81,650	4,491,149
Committed	-	1,046,173	-	-	-	-	1,046,173
Assigned	5,226	-	-	-	-	-	5,226
Total Fund Balances	267,030	1,046,173	-	816,534	3,331,161	81,650	5,542,548
Total Liabilities and Fund Balances	\$ 268,163	\$ 1,267,830	\$ 62,540	\$ 816,534	\$ 3,331,161	\$ 81,650	\$ 5,827,878

See accompanying notes to supplementary information.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -

Non-Major Governmental Funds

For the Fiscal Year Ended June 30, 2018

	Adult Education Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
REVENUES							
LCFF sources	\$ -	\$ 300,000	\$ -	\$ -	\$ -	\$ -	\$ 300,000
Other state sources	343,966	-	-	-	27,865	-	371,831
Other local sources	3,317	14,336	80,613	10,424	2,747,987	5,922	2,862,599
Total Revenues	347,283	314,336	80,613	10,424	2,775,852	5,922	3,534,430
EXPENDITURES							
Current:							
Instructional Services:							
Instruction	201,665	-	-	-	-	-	201,665
Supervision of instruction	88,717	-	-	-	-	-	88,717
General Administration Services:							
Other general administration	-	-	29,557	-	-	-	29,557
Plant services	14,014	1,853	22,160	-	-	-	38,027
Capital outlay	-	244,852	95,949	-	-	-	340,801
Debt service:							
Issuance cost	-	-	-	-	-	182,786	182,786
Principal	-	-	-	-	484,142	-	484,142
Interest	-	-	-	-	1,043,755	39,925	1,083,680
Total Expenditures	304,396	246,705	147,666	-	1,527,897	222,711	2,449,375
Excess (Deficiency) of Revenues Over (Under) Expenditures	42,887	67,631	(67,053)	10,424	1,247,955	(216,789)	1,085,055
OTHER FINANCING SOURCES (USES)							
Interfund transfers in	-	-	62,473	-	-	-	62,473
Proceeds from refunding bonds	-	-	-	-	-	6,560,000	6,560,000
Premiums on refunding bonds	-	-	-	-	-	1,015,707	1,015,707
Transfers to escrow agent for defeased debt	-	-	-	-	-	(7,392,921)	(7,392,921)
Total Other Financing Sources and Uses	-	-	62,473	-	-	182,786	245,259
Net Change in Fund Balances	42,887	67,631	(4,580)	10,424	1,247,955	(34,003)	1,330,314
Fund Balances, July 1, 2017	224,143	978,542	4,580	806,110	2,083,206	115,653	4,212,234
Fund Balances, June 30, 2018	\$ 267,030	\$ 1,046,173	\$ -	\$ 816,534	\$ 3,331,161	\$ 81,650	\$ 5,542,548

See accompanying notes to supplementary information.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	\$ 624,143	
National School Lunch Program	10.555	13523	1,682,878	
USDA Donated Foods	10.555	N/A	229,807	
Summer Food Service Program Operations	10.559	13004	60,829	
Total Child Nutrition Cluster				\$ 2,597,657
National School Lunch Program Equipment Assistance Grant	10.579	14906		37,237
Child and Adult Care Food Program Cluster				
Child and Adult Care Food Program	10.558	13393	285,114	
Cash in Lieu of Commodities	10.558	N/A	115,668	
Total Child and Adult Care Food Program Cluster				400,782
Fresh Fruit and Vegetable Program	10.582	14968		70,798
Total U.S. Department of Agriculture				<u>3,106,474</u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA)				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		1,425,887
Title I, Migrant Education Cluster:				
Title I, Part C, Migrant Education (Regular and Summer Program)	84.011	14326	84,514	
Title I, Migrant Education Summer Program	84.011	10005	27,727	
Title I, Part C, Even Start Migrant Education (MEES)	84.011	14768	14,821	
Total Title I, Migrant Education Cluster				127,062
Title II, Part A, Supporting Effective Instruction	84.367	14341		198,147
English Language Acquisition Grants Cluster:				
Title III, Immigrant Education Program	84.365	15146	9,741	
Title III, Limited English Proficiency (LEP) Student Program	84.365	14346	241,588	
Total English Language Acquisition Grants Cluster				251,329
Carl Perkins Act - Secondary	84.048	14894		43,694
Workability II, Transitions Partnership	84.126	10006		88,972
Passed through Ventura County SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Local Assistance Entitlement	84.027	13379	881,580	
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	35,581	
Preschool Local Entitlement, Part B	84.173A	13682	121,075	
Total Special Education (IDEA) Cluster				1,038,236
Total U.S. Department of Education				<u>3,173,327</u>
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education (CDE):				
Medi-Cal Billing Option	93.778	10013		222,896
Medi-Cal Administrative Activities (MAA)	93.778	10060		103,737
Total U.S. Department of Health & Human Services				<u>326,633</u>
Total Expenditures of Federal Awards				<u>\$ 6,606,434</u>

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Note to Supplementary Information

June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

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 participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not 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.

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.

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.

Combining Fund Financial Statements

Combining fund balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements.

Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a 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 represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2018.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 6,762,746
Differences between Federal Revenues and Expenditures:		
Medi-Cal Billing Option	93.778	56,919
Medi-Cal Administrative Activities	93.778	(213,231)
Total Schedule of Expenditures of Federal Awards		\$ 6,606,434

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Other Independent Auditors' Reports

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

Governing Board
Santa Paula Unified School District
Santa Paula, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Paula Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Santa Paula Unified School District's basic financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Santa Paula 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 the Santa Paula Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Santa Paula 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 Santa Paula Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nigro+Nigro, PC

Murrieta, California
December 10, 2018



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Santa Paula Unified School District
Santa Paula, California

Report on State Compliance

We have audited Santa Paula Unified School District's compliance with the types of compliance requirements described in the *2017-18 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 Santa Paula Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Santa Paula Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Santa Paula 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 state program. However, our audit does not provide a legal determination of Santa Paula Unified School District's compliance.

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because the ADA was under the level that requires testing.

Unmodified Opinion on Compliance with State Programs

In our opinion, Santa Paula Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to previously, which is required to be reported in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2018-001. Our opinion on each state program is not modified with respect to these matters.

District's Response to Finding

Santa Paula Unified School District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Santa Paula Unified School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

Nigro + Nigro, PC

Murrieta, California
December 10, 2018



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

Governing Board
Santa Paula Unified School District
Santa Paula, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Santa Paula 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 Santa Paula 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 Santa Paula Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Santa Paula 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, 2018.

Report on Internal Control Over Compliance

Management of Santa Paula 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 Santa Paula 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 the 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.

A handwritten signature in dark ink that reads "Nigro+Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California
December 10, 2018

Findings and Questioned Costs

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SANTA PAULA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u>	
10.553, 10.555,	
10.559	<u>Child Nutrition Cluster</u>

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

State Awards

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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SANTA PAULA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2017-18.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2017-18.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding 2018-001: Unduplicated Pupil Count (40000)

Criteria: Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).
- Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition: During our testing of the English Learner (EL) reported in the CALPADS 1.17 and 1.18 reports, we noted that one student that was reported as having the English learner designation for the 2017-18 fiscal year was not eligible based on the District reclassification policy.

Context: We noted an error in one of the four schools we tested, for a total of 1 exception.

Cause: The District EL error was caused due to student information that was not updated during the preparation of the CALPADS report prior to the amendment window closing.

Questioned Cost: \$953.

Effect: The unduplicated pupil counts in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes:

School Site:	Per CALPADS Report	Adjusted based on eligibility for:	Adjusted Total
		English Learner	
Santa Paula High	1,349	(1)	1,348
Aggregate remaining school sites	3,447	-	3,447
District-wide	4,796	(1)	4,795

The enrollment of 5,306 was not impacted as of a result of the procedures performed.

Recommendation: We recommend that the District implement a review procedure of the CALPADS information prior to the reports submission to the California Department of Education.

View of Responsible Officials: The District has placed into action a process and procedures that will ensure accuracy of unduplicated counts into CALPADS prior to the reports submission to the California Department of Education.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2018

There were no findings or questioned costs in 2016-17.

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Governing Board
Santa Paula Unified School District
Santa Paula, California

In planning and performing our audit of the basic financial statements of Santa Paula Unified School District for the year ending June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity 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 10, 2018, on the financial statements of Santa Paula Unified School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: In our test of cash disbursements at **Santa Paula High**, we noted that 5 of the 25 disbursements selected in our sample were not approved by the District representative, the ASB advisor, and/or the student representative until after the expenditure had already been incurred.

Recommendation: As a "best practice", approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines. Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds.

Observation: During our testing of cash receipts, at **Santa Paula High** and **Isbell Middle** deposits lacked sufficient supporting documentation such as a tally sheet for athletic events, or receipts for the cash portion of revenues earned at fundraisers. Without supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for.

Recommendation: We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales.

EQUIPMENT INVENTORY

Observation: The District does not maintain inventory of maintenance equipment having a market value greater than \$500 in accordance with Education Code 35168. The lack of a District-wide program for tracking maintenance equipment creates the possibility that District assets be lost without existence of an audit trail.

Recommendation: We recommend the District utilize an inventory system which contains the description, name, identification number, and original cost of all items of equipment acquired whose current market value exceeds \$500 per item, the location of use, and which employee is using it. We recommend each item be checked into the inventory system at the end of the day to ensure all equipment is accounted for and only being used for District related repairs.

Observation: We noted that assets valued at over \$500 are not consistently tagged.

Recommendation: We recommend the District tag all applicable assets and record the description, name, identification numbers and resource if applicable, and original cost of all items of equipment acquired whose current market value exceeds \$500 per item, the location of use, and the time and mode of disposal.

Observation: Through inquiry we found that there are no procedures in place to remove disposed assets from the inventory listing.

Recommendation: The District should update the inventory of equipment by removing those items the board has approved for disposal. We recommend that the district reconcile the inventory list with board approved disposal list.

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

Nigro+Nigro, PC

Murrieta, California
December 10, 2018