

**SANTA PAULA UNIFIED
SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2017**

SANTA PAULA UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2017

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SANTA PAULA UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2017

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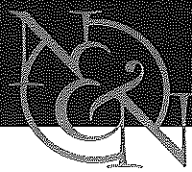
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Financial Section

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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, 2017, 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 *2016-17 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, 2017, 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.

Other Matters*Required Supplementary Information*


Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, budgetary comparison information on page 48, schedule of funding progress on page 49, schedule of proportionate share of the net pension liability on page 50, and schedule of pension contributions on page 51 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 55 to 60 and the schedule of expenditures of federal awards on page 61 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 54 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 13, 2017, 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.



Murrieta, California
December 13, 2017

SANTA PAULA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

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, 2017. 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 7.7% to \$18.7 million.
- Total governmental revenues were \$75.4 million, \$1.6 million less than expenses.
- The total cost of basic programs was \$77.0 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 \$61.3 million.
- Average daily attendance (ADA) in grades K-12 decreased by 77, or 1.4%.

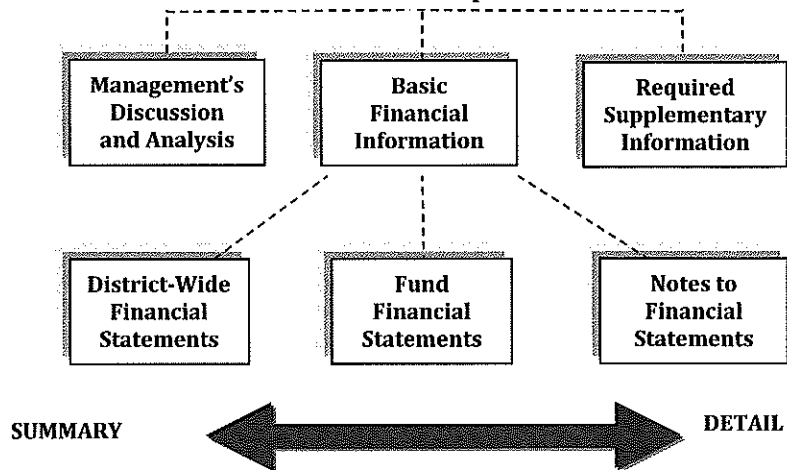
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2017

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, 2017

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, 2017

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2017, than it was the year before - decreasing 7.7% to \$18.7 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance
	2017	2016	Increase (Decrease)
Assets			
Current assets	\$ 48,872,299	\$ 34,323,106	\$ 14,549,193
Capital assets	55,431,595	51,395,795	4,035,800
Total assets	<u>104,303,894</u>	<u>85,718,901</u>	<u>18,584,993</u>
Deferred outflows of resources	<u>23,711,225</u>	<u>19,024,262</u>	<u>4,686,963</u>
Liabilities			
Current liabilities	7,166,871	3,721,095	3,445,776
Long-term liabilities	41,965,828	27,643,109	14,322,719
Net pension liability	57,148,110	46,667,898	10,480,212
Total liabilities	<u>106,280,809</u>	<u>78,032,102</u>	<u>28,248,707</u>
Deferred inflows of resources	<u>3,053,976</u>	<u>6,469,311</u>	<u>(3,415,335)</u>
Net position			
Net investment in capital assets	31,334,802	28,620,605	2,714,197
Restricted	12,764,971	13,348,100	(583,129)
Unrestricted	(25,419,439)	(21,726,955)	(3,692,484)
Total net position	<u>\$ 18,680,334</u>	<u>\$ 20,241,750</u>	<u>\$ (1,561,416)</u>

Changes in net position, governmental activities. The District's total revenues increased 3.1% to \$75.4 million (See Table A-2). The increase is due primarily to categorical program funding.

The total cost of all programs and services increased 16.7% to \$77.0 million. The District's expenses are predominantly related to educating and caring for students, 79.7%. The purely administrative activities of the District accounted for just 5.8% of total costs. A significant contributor to the increase in costs was increased salaries and benefits.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2017	2016	
Revenues			
Program Revenues:			
Charges for services	\$ 1,358,698	\$ 730,290	\$ 628,408
Operating grants and contributions	14,272,815	13,556,197	716,618
Capital grants and contributions	3,873	2,298	1,575
General Revenues:			
Property taxes	8,881,717	9,134,134	(252,417)
Federal and state aid not restricted	50,085,302	47,968,002	2,117,300
Other general revenues	790,334	1,714,548	(924,214)
Total Revenues	75,392,739	73,105,469	2,287,270
Expenses			
Instruction-related	52,911,395	46,238,243	6,673,152
Pupil services	8,429,396	7,027,717	1,401,679
Administration	4,469,168	3,719,674	749,494
Plant services	6,901,305	6,084,583	816,722
All other activities	4,242,891	2,877,056	1,365,835
Total Expenses	76,954,155	65,947,273	11,006,882
Increase (decrease) in net position	\$ (1,561,416)	\$ 7,158,196	\$ (8,719,612)

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 \$42.0 million, which is above last year's ending fund balance of \$30.8 million. The primary cause of the increased fund balance is the issuance of new general obligation bonds.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2016	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2017
General Fund	\$ 18,323,576	\$ 66,557,940	\$ 66,055,949	\$ (1,056,871)	\$ 17,768,696
Adult Education Fund	93,143	485,914	354,914	-	224,143
Cafeteria Fund	305,094	3,533,291	3,716,489	50,000	171,896
Deferred Maintenance Fund	877,886	282,007	181,351	-	978,542
Building Fund	2,004	70,736	972,663	13,044,200	12,144,277
Capital Facilities Fund	78,002	1,132,295	1,205,717	-	4,580
County School Facilities Fund	812,441	6,431	12,762	-	806,110
Special Reserve Fund (Capital Outlay)	8,736,786	1,344,888	3,348,531	1,006,871	7,740,014
Bond Interest and Redemption Fund	1,475,867	1,737,896	855,739	(274,818)	2,083,206
Debt Service Fund for Blended Component Units	124,801	-	969,294	960,146	115,653
Total	\$ 30,829,600	\$ 75,151,398	\$ 77,673,409	\$ 13,729,528	\$ 42,037,117

SANTA PAULA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

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 \$3.6 million primarily to reflect increased state LCFF sources, Federal categorical, and local revenue.
- Salaries and benefits costs – increased by approximately \$4.7 million due to changes in collective bargaining agreements.
- Other costs – increased by \$1.7 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 \$2.4 million, the actual results for the year show that revenues exceeded expenditures by roughly \$0.5 million. Actual revenues were approximately \$0.9 million less than anticipated, and expenditures were \$3.8 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2017, that will be carried over into the 2017-18 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016-17 the District had invested \$6.1 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
	2017	2016	Increase (Decrease)
Land	\$ 5,069,856	\$ 5,057,856	\$ 12,000
Artwork	25,795	25,795	-
Land improvements	5,030,627	5,133,053	(102,426)
Buildings and improvements	38,509,049	40,126,038	(1,616,989)
Equipment and vehicles	770,149	525,404	244,745
Construction in progress	6,026,119	527,649	5,498,470
Total	\$ 55,431,595	\$ 51,395,795	\$ 4,035,800

SANTA PAULA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$42.0 million in general obligation bonds, compensated absences, capital leases, and other post employment benefits - an increase of 51.8% 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 Increase (Decrease)
	2017	2016	
General obligation bonds	\$ 37,760,103	\$ 23,949,194	\$ 13,810,909
Compensated absences	459,611	381,562	78,049
Capital leases	18,015	27,475	(9,460)
Supplemental early retirement	-	90,000	(90,000)
Other postemployment benefits	3,728,099	3,194,878	533,221
Total	\$ 41,965,828	\$ 27,643,109	\$ 14,322,719

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Governor signed the 2017-18 *Budget Act* and other budget-related bills on June 27, 2017.

Proposition 98

Overview

State budgeting for schools and community colleges is based primarily on Proposition 98, approved by voters in 1988 and amended in 1990. In this section, we provide an overview of Proposition 98 changes under the enacted budget package.

Proposition 98 Establishes Minimum Spending Level

Proposition 98 establishes a minimum spending requirement 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 attendance. The state can spend at the minimum guarantee or any level above it. Spending above the minimum guarantee one year typically becomes part of the base for calculating the minimum guarantee the next year. 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 is weak relative to per capita personal income and is paid when General Fund revenue is stronger.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

Overview (continued)

2015-16 and 2016-17 Minimum Guarantees Down but Total Spending Up Slightly

The 2015-16 minimum guarantee has decreased \$379 million due to lower-than-expected General Fund revenue. Proposition 98 spending that year, however, has increased \$53 million due to various minor adjustments involving the Local Control Funding Formula (LCFF) and community college apportionments. The 2016-17 minimum guarantee has decreased \$558 million, again due to lower estimates of General Fund revenue. Proposition 98 spending that year has decreased by \$484 million, but total spending, including a settle-up payment of \$514 million, is up slightly (\$29 million) from the June 2016 level. The settle-up payment allows the state to cover some 2016-17 LCFF costs using funds set aside for Proposition 2 (2014) debt payments. In both 2015-16 and 2016-17, Proposition 98 spending is above the calculated minimum guarantees.

2017-18 Spending Up \$3.1 Billion Over Revised 2016-17 Level

In 2017-18, total spending across all segments is \$74.5 billion, an increase of \$3.1 billion (4.4 percent) from the revised 2016-17 level. For 2017-18, the state funds at the estimate of the minimum guarantee. This estimate builds upon the higher levels of spending provided in 2015-16 and 2016-17. (Had the state not funded above the guarantee in those two years, the 2017-18 guarantee would have been \$542 million lower.) Test 2 is the operative test in 2017-18, with the change in the guarantee attributable to a 3.7 percent increase in per capita personal income and a 0.05 percent decline in K-12 attendance. The increase in the guarantee also reflects a maintenance factor payment of \$536 million. Under the administration's estimates, the state would end 2017-18 with an outstanding maintenance factor obligation of \$900 million.

About One-Third of Increase Covered With Higher Property Tax Revenue

Of the total Proposition 98 spending provided in 2017-18, \$52.6 billion is state General Fund and \$21.9 billion is local property tax revenue. From 2016-17 to 2017-18, state General Fund increases \$2.1 billion (accounting for about two-thirds of the \$3.1 billion increase in spending) and property tax revenue increases by \$1 billion. The primary factor explaining the growth in property tax revenue is the projected 5.3 percent growth in assessed property values, which is similar to the average growth rate over the past 20 years. Regarding local revenue associated with the dissolution of redevelopment agencies, the budget plan assumes a net increase of \$31 million. This consists of a \$131 million increase in the ongoing revenue shifted to schools and community colleges, offset by a \$100 million decrease in revenue from the sale of assets formerly owned by redevelopment agencies.

Spending Package Reduces Outstanding Settle-Up Obligation by \$603 Million

The budget plan includes a \$603 million settle-up payment related to meeting the 2009-10 minimum guarantee. This payment reduces the state's outstanding settle-up obligation from slightly above \$1 billion to \$440 million. Of the \$603 million provided, the budget plan allocates \$514 million for covering 2016-17 LCFF costs, \$86 million for the community college guided pathways initiative, and \$3 million for the Career Technical Education Incentive Grant program. The state budget package scores all of the settle-up spending as a Proposition 2 debt payment.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

K-12 Education

\$64.7 Billion Proposition 98 Funding for K-12 Education in 2017-18

The budgeted 2017-18 level is \$2.7 billion (4.3 percent) more than revised 2016-17 level and \$2.2 billion (3.6 percent) more than the 2016-17 Budget Act level. The budget increases funding per student by \$450 (4.3 percent) over the 2016-17 Budget Act level, bringing Proposition 98 funding per student up to \$10,863.

Package Includes Mix of Ongoing and One-Time Spending

The budget includes \$2.4 billion in augmentations for K-12 education. Of these augmentations, \$1.5 billion are ongoing increases and \$933 million are one-time initiatives. In addition to these changes, the budget package includes \$328 million in one-time initiatives funded from other sources. (Of this amount, \$325 million is from Proposition 98 reversion dollars and \$3 million is from a settle-up payment. Of the reversion dollars, \$114 million is for a fund swap primarily relating to special education.) The budget also authorizes \$593 million from Proposition 51 (2016) general obligation bond proceeds for school facilities.

General Purpose Funding

Accelerates Implementation of LCFF for School Districts and Charter Schools

The budget provides an additional \$1.4 billion ongoing Proposition 98 funding for this purpose, bringing total LCFF funding for school districts and charter schools to \$57.4 billion, a 2.7% increase over the revised 2016-17 level. The administration estimates this funding will result in the LCFF-target level being 97 percent-funded. School districts and charter schools may use LCFF monies for any educational purpose.

Funds One-Time Discretionary Grants

The largest one-time augmentation for K-12 education is \$877 million that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on average daily attendance (\$147 per ADA). If an LEA has unpaid mandate claims, funding counts toward those claims. As most LEAs do not have any such claims, we estimate only about one-third (\$268 million) of the funding will end up reducing the K-12 mandates backlog. We estimate the K-12 mandates backlog will be \$799 million at the end of 2017-18.

Other Changes

Specifies Use of Remaining Proposition 39 Funds and Extends Energy-Efficiency Programs Indefinitely

The budget provides \$423 million Proposition 98 funding for energy-efficiency projects at schools and community colleges. This reflects the fifth and final year of Proposition 39 (2012) funding. Trailer legislation, however, extends the date for schools to use this funding by one year, to June 30, 2019, and sets rules for how any remaining uncommitted funds are to be used. The first \$75 million in remaining funds is earmarked for school districts and COEs to replace or retrofit school buses. Priority is given to LEAs having the oldest buses, serving disadvantaged communities, or serving high shares of low-income students. The next \$100 million is earmarked for a competitive grant program to provide K-12 LEAs with low- and no-interest loans for energy projects. Any funding still remaining is to be distributed as grants to K-12 LEAs according to Proposition 39 rules. The trailer legislation also extends the Proposition 39 energy-efficiency programs for K-12 and CCC LEAs beginning in 2018-19, contingent upon funds being made available through the annual budget act or other statute.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

Other Changes (continued)

Augments After School Education and Safety (ASES) Program

Proposition 49, passed by the voters in 2002, requires the state to provide \$550 million in Proposition 98 funds annually for the ASES program. Since Proposition 49 was enacted, ASES providers have received \$7.50 per child per day. The budget increases ASES funding by \$50 million (9%)—bringing total funding to \$600 million. The augmentation will increase the per-child per-day rate.

School Facilities

Provides First Installment of Proposition 51 Bond Funding for School Facilities

Passed by the voters in November 2016, Proposition 51 authorizes the state to sell \$9 billion in general obligation bonds—\$7 billion for schools and \$2 billion for community colleges. The state plans to issue \$593 million of these bonds for K-12 facility projects in 2017-18. This would fully fund the state's list of \$368 million in already approved facility projects, as well as \$225 million in additional projects.

Establishes New Audit Rules

Trailer legislation shifts audit responsibilities for state-funded school facility projects from the Office of Public School Construction to local independent auditors. Moving forward, the local auditors are to review facility expenditures to ensure that they comply with the rules of the state's School Facilities Program. In June 2017, the State Allocation Board also enacted a regulatory change requiring districts to sign grant agreements prior to receiving state funding that specify allowable project expenditures.

All of these factors were considered in preparing the Santa Paula Unified School District budget for the 2017-18 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, 2017

	Total Governmental Activities
ASSETS	
Cash	\$ 46,300,554
Accounts receivable	2,449,411
Inventories	36,856
Prepaid expenses	85,478
Non-depreciable capital assets	11,121,770
Depreciable capital assets	78,693,255
Less, accumulated depreciation	<u>(34,383,430)</u>
Total assets	<u>104,303,894</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	23,088,756
Deferred amounts on refunding	<u>622,469</u>
Total deferred outflows	<u>23,711,225</u>
LIABILITIES	
Accounts payable	6,331,842
Unearned revenue	835,029
Long-term liabilities:	
Portion due or payable within one year	1,178,442
Portion due or payable after one year	40,787,386
Net pension liability	<u>57,148,110</u>
Total liabilities	<u>106,280,809</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>3,053,976</u>
NET POSITION	
Net investment in capital assets	31,334,802
Restricted for:	
Capital projects	8,550,704
Debt service	2,198,859
Categorical programs	2,015,408
Unrestricted	<u>(25,419,439)</u>
Total net position	<u>\$ 18,680,334</u>

SANTA PAULA UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities					
Instructional Services:					
Instruction	\$ 43,785,827	\$ 175,835	\$ 7,180,293	\$ 3,873	\$ (36,425,826)
Instruction-Related Services:					
Supervision of instruction	2,348,749	9,852	793,625	-	(1,545,272)
Instructional library, media and technology	1,739,662	1,681	18,033	-	(1,719,948)
School site administration	5,037,157	2,793	277,757	-	(4,756,607)
Pupil Support Services:					
Home-to-school transportation	466,757	11,895	191,018	-	(263,844)
Food services	3,751,105	25,065	3,321,003	-	(405,037)
All other pupil services	4,211,534	3,382	807,129	-	(3,401,023)
General Administration Services:					
Data processing services	434,130	-	-	-	(434,130)
Other general administration	4,035,038	7,936	348,892	-	(3,678,210)
Plant services	6,901,305	812,168	1,100,852	-	(4,988,285)
Ancillary services	778,043	-	20,619	-	(757,424)
Community services	68,343	-	-	-	(68,343)
Transfers between agencies	1,902,784	-	-	-	(1,902,784)
Interest on long-term debt	7,828	-	-	-	(7,828)
Other outgo	1,485,893	308,091	213,594	-	(964,208)
Total Governmental Activities	\$ 76,954,155	\$ 1,358,698	\$ 14,272,815	\$ 3,873	(61,318,769)
General Revenues:					
Property taxes					8,881,717
Federal and state aid not restricted to specific purpose					50,085,302
Interest and investment earnings					157,994
Miscellaneous					632,340
Total general revenues					59,757,353
Change in net position					(1,561,416)
Net position - July 1, 2016					20,241,750
Net position - June 30, 2017					\$ 18,680,334

SANTA PAULA UNIFIED SCHOOL DISTRICT

Balance Sheet – Governmental Funds

June 30, 2017

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 19,600,039	\$ 12,419,715	\$ 9,929,464	\$ 4,351,336	\$ 46,300,554
Accounts receivable	1,818,782	40,120	27,613	562,896	2,449,411
Due from other funds	418,986	-	877,779	-	1,296,765
Inventories	-	-	-	36,856	36,856
Prepaid expenditures	85,478	-	-	-	85,478
Total Assets	\$ 21,923,285	\$ 12,459,835	\$ 10,834,856	\$ 4,951,088	\$ 50,169,064
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 2,474,451	\$ 315,558	\$ 3,094,842	\$ 115,302	\$ 6,000,153
Due to other funds	877,779	-	-	418,986	1,296,765
Unearned revenue	802,359	-	-	32,670	835,029
Total Liabilities	4,154,589	315,558	3,094,842	566,958	8,131,947
Fund Balances					
Nonspendable	91,978	-	-	36,856	128,834
Restricted	1,619,369	12,144,277	7,740,014	3,368,732	24,872,392
Committed	1,400,000	-	-	978,542	2,378,542
Assigned	2,695,695	-	-	-	2,695,695
Unassigned	11,961,654	-	-	-	11,961,654
Total Fund Balances	17,768,696	12,144,277	7,740,014	4,384,130	42,037,117
Total Liabilities and Fund Balances	\$ 21,923,285	\$ 12,459,835	\$ 10,834,856	\$ 4,951,088	\$ 50,169,064

SANTA PAULA UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2017

Total fund balances - governmental funds		\$ 42,037,117
Amounts reported for governmental <i>activities</i> 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 \$89,815,025 and the accumulated depreciation is (\$34,383,430).		55,431,595
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:		(331,689)
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:		622,469
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	23,088,756
	Deferred inflows of resources	(3,053,976)
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	(37,760,103)
	Compensated absences payable	(459,611)
	Capital leases payable	(18,015)
	Other post employment benefits	(3,728,099)
		(41,965,828)
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.		(57,148,110)
Total net position - governmental activities		<u>\$ 18,680,334</u>

SANTA PAULA UNIFIED SCHOOL DISTRICT

*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2017*

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
L/CFF sources	\$ 54,368,318	\$ -	\$ -	\$ 275,000	\$ 54,643,318
Federal sources	2,945,928	-	-	3,281,337	6,227,265
Other state sources	5,586,974	-	947,306	712,230	7,246,510
Other local sources	3,656,720	70,736	397,582	2,909,267	7,034,305
Total Revenues	66,557,940	70,736	1,344,888	7,177,834	75,151,398
EXPENDITURES					
Current:					
Instruction	39,619,633	-	-	237,862	39,857,495
Instruction-related services:					
Supervision of instruction	2,112,599	-	-	106,609	2,219,208
Instructional library, media and technology	1,647,269	-	-	-	1,647,269
School site administration	4,667,297	-	-	-	4,667,297
Pupil support services:					
Home-to-school transportation	466,757	-	-	-	466,757
Food services	118,814	-	-	3,516,770	3,635,584
All other pupil services	4,009,537	-	-	-	4,009,537
Ancillary services	756,923	-	-	-	756,923
Community services	65,211	-	-	-	65,211
General administration services:					
Data processing services	522,770	-	-	-	522,770
Other general administration	3,645,781	-	-	43,980	3,689,761
Plant services	6,495,252	-	97,320	216,167	6,808,739
Transfers of indirect costs	(177,706)	-	-	177,706	-
Capital outlay	609,559	701,463	3,251,211	1,173,459	5,735,692
Intergovernmental transfers	1,485,893	-	-	-	1,485,893
Debt service:					
Issuance costs	-	271,200	-	159,825	431,025
Principal	9,460	-	-	895,000	904,460
Interest	900	-	-	768,888	769,788
Total Expenditures	66,055,949	972,663	3,348,531	7,296,266	77,673,409
Excess (Deficiency) of Revenues Over (Under) Expenditures	501,991	(901,927)	(2,003,643)	(118,432)	(2,522,011)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	-	-	1,006,871	1,010,146	2,017,017
Interfund transfers out	(1,056,871)	-	-	(960,146)	(2,017,017)
Proceeds from bonds	-	13,000,000	-	-	13,000,000
Premiums on bonds	-	44,200	-	525,503	569,703
Proceeds from refunding bonds	-	-	-	6,545,000	6,545,000
Premiums on refunding bonds	-	-	-	477,876	477,876
Transfers to escrow agent for defeased debt	-	-	-	(6,863,051)	(6,863,051)
Total Other Financing Sources and Uses	(1,056,871)	13,044,200	1,006,871	735,328	13,729,528
Net Change in Fund Balances	(554,880)	12,142,273	(996,772)	616,896	11,207,517
Fund Balances, July 1, 2016	18,323,576	2,004	8,736,786	3,767,234	30,829,600
Fund Balances, June 30, 2017	\$ 17,768,696	\$ 12,144,277	\$ 7,740,014	\$ 4,384,130	\$ 42,037,117

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, 2017*

Total net change in fund balances - governmental funds \$ 11,207,517

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	6,053,523	
Depreciation expense	<u>(1,973,522)</u>	4,080,001

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss was: (44,201)

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: 7,000,387

In government-wide statements, expenses must be accrued in connection with any liability incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time. This year, incentives paid were: 90,000

In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The increase in the net OPEB liability at the end of the period was: (533,221)

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: 128,316

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: (337,573)

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: (2,738,237)

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: 360,324

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: (20,592,579)

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: (104,101)

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). (78,049)

Change in net position of governmental activities \$ (1,561,416)

SANTA PAULA UNIFIED SCHOOL DISTRICT

Statement of Fiduciary Net Position

June 30, 2017

	Agency Funds
	Student Body Funds
Assets	
Cash	\$ 247,080
Inventories	5,672
Total Assets	<u><u>\$ 252,752</u></u>
Liabilities	
Due to student groups	<u>\$ 252,752</u>
Total Liabilities	<u><u>\$ 252,752</u></u>

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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, 2017

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.

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.

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

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, 2017

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, 2017

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, 2017

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. The District has two items that qualify for reporting in this category. The first item is related to its pension plans as more fully described in the footnote entitled "Pension Plans". The second is deferred amounts on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Deferred Outflows/Inflows of Resources (continued)

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. The District has one item that qualifies for reporting in this category. That item is to recognize the District's proportionate share of the deferred inflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans".

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. 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.

8. 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.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. 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.

9. 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 our size is 3% of total General Fund operating expenditures, including other financing sources and uses.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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 2016-17 fiscal year, the following GASB Pronouncements became effective:

1. Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (Issued 06/15)

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

2. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (Issued 06/15)*

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The scope of this Statement includes OPEB plans – defined benefit and defined contribution – administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

3. Statement No. 77, *Tax Abatement Disclosures (Issued 08/15)*

For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements, and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

4. Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans (Issued 12/15)*

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

5. Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14 (Issued 01/16)*

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

6. Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73 (Issued 03/16)

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

NOTE 2 – CASH

Cash at June 30, 2017, is reported at fair value and consisted of the following:

	Governmental Funds/Activities	Fiduciary Funds
Pooled Funds:		
Cash in county treasury	\$ 46,176,723	\$ -
Deposits:		
Cash on hand and in banks	1,678	247,080
Cash in revolving fund	6,500	-
Cash with fiscal agent	115,653	-
Total Deposits	123,831	247,080
Total Cash	\$ 46,300,554	\$ 247,080

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, 2017, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 2 – CASH (continued)

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 Depository 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, 2017, \$29,789 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.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017, consisted of the following:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Totals
Federal Government:					
Categorical aid programs	\$ 1,156,742	\$ -	\$ -	\$ 497,792	\$ 1,654,534
State Government:					
Lottery	226,924	-	-	-	226,924
Categorical aid programs	151,219	-	-	30,604	181,823
Local:					
Interest	46,984	40,120	27,613	12,434	127,151
Developer fees	-	-	-	22,066	22,066
Miscellaneous	236,913	-	-	-	236,913
Total	\$ 1,818,782	\$ 40,120	\$ 27,613	\$ 562,896	\$ 2,449,411

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 4 – INTERFUND ACTIVITIES

A. Balances Due To/From Other Funds

Balances due/to other funds at June 30, 2017, consisted of the following:

	Due from other funds		Total
	General Fund	Special Reserve Fund for Capital Outlay Projects	
General Fund	\$ -	\$ 877,779	\$ 877,779
Non-Major Governmental Funds	418,986	-	418,986
Total	\$ 418,986	\$ 877,779	\$ 1,296,765

General Fund due to Special Reserve Fund for Capital Outlay Projects to transfer unspent LCAP funds for Barbara Webster Literacy Center	\$ 877,779
Cafeteria Fund due to General Fund to pay off temporary cash transfers and indirect costs	418,986
Total	\$ 1,296,765

B. Transfers To/From Other Funds

Transfers between funds during the year consisted of the following:

General Fund transfer to Cafeteria Fund for uncollectible accounts	\$ 50,000
General Fund to Special Reserve Fund for Capital Outlay Projects to reclassify state revenue for Prop 39, Clean Energy	1,006,871
Bond Interest and Redemption Fund transfer to Debt Service Fund for debt service related to activity of financing authorities	960,146
Total	\$ 2,017,017

SANTA PAULA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 5 – FUND BALANCES

At June 30, 2017, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	\$ 6,500	\$ -	\$ -	\$ -	\$ 6,500
Stores inventories	-	-	-	36,856	36,856
Prepaid expenditures	85,478	-	-	-	85,478
Total Nonspendable	91,978	-	-	36,856	128,834
Restricted:					
Categorical programs	1,619,369	-	-	359,183	1,978,552
Capital projects	-	12,144,277	7,740,014	810,690	20,694,981
Debt service	-	-	-	2,198,859	2,198,859
Total Restricted	1,619,369	12,144,277	7,740,014	3,368,732	24,872,392
Committed:					
Deferred maintenance program	-	-	-	978,542	978,542
Textbook adoption	1,400,000	-	-	-	1,400,000
Total Committed	1,400,000	-	-	978,542	2,378,542
Assigned:					
OPEB retiree medical	523,736	-	-	-	523,736
Textbook adoptions	1,000,000	-	-	-	1,000,000
MAA balance	212,348	-	-	-	212,348
East Area One school startup	500,000	-	-	-	500,000
Unused vacation liability	459,611	-	-	-	459,611
Total Assigned	2,695,695	-	-	-	2,695,695
Unassigned:					
Reserve for economic uncertainties	2,013,385	-	-	-	2,013,385
Remaining unassigned balances	9,948,269	-	-	-	9,948,269
Total Unassigned	11,961,654	-	-	-	11,961,654
Total	\$ 17,768,696	\$ 12,144,277	\$ 7,740,014	\$ 4,384,130	\$ 42,037,117

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance, July 1, 2016	Additions	Retirements	Balance, June 30, 2017
Capital assets not being depreciated:				
Land	\$ 5,057,856	\$ 12,000	\$ -	\$ 5,069,856
Artwork	25,795	-	-	25,795
Construction in progress	527,649	5,504,736	6,266	6,026,119
Total capital assets not being depreciated	<u>5,611,300</u>	<u>5,516,736</u>	<u>6,266</u>	<u>11,121,770</u>
Capital assets being depreciated:				
Land improvements	6,038,229	53,347	-	6,091,576
Buildings and improvements	67,120,213	121,503	48,045	67,193,671
Equipment and vehicles	5,039,805	368,203	-	5,408,008
Total capital assets being depreciated	<u>78,198,247</u>	<u>543,053</u>	<u>48,045</u>	<u>78,693,255</u>
Accumulated depreciation for:				
Land improvements	(905,176)	(155,773)	-	(1,060,949)
Buildings and improvements	(26,994,175)	(1,694,291)	(3,844)	(28,684,622)
Equipment and vehicles	(4,514,401)	(123,458)	-	(4,637,859)
Total accumulated depreciation	<u>(32,413,752)</u>	<u>(1,973,522)</u>	<u>(3,844)</u>	<u>(34,383,430)</u>
Total capital assets being depreciated, net	<u>45,784,495</u>	<u>(1,430,469)</u>	<u>44,201</u>	<u>44,309,825</u>
Governmental activity capital assets, net	<u>\$ 51,395,795</u>	<u>\$ 4,086,267</u>	<u>\$ 50,467</u>	<u>\$ 55,431,595</u>

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, 2017, were as follows:

	Balance, July 1, 2016	Additions	Deductions	Balance, June 30, 2017	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 22,259,280	\$ 19,545,000	\$ 6,990,927	\$ 34,813,353	\$ 977,225
Accreted interest component	1,199,475	366,646	29,073	1,537,048	47,775
Unamortized issuance premium	582,826	1,047,579	135,423	1,494,982	150,711
Unamortized issuance discount	(92,387)	-	(7,107)	(85,280)	(7,107)
Total - Bonds	<u>23,949,194</u>	<u>20,959,225</u>	<u>7,148,316</u>	<u>37,760,103</u>	<u>1,168,604</u>
Compensated Absences	381,562	78,049	-	459,611	-
Capital Leases	27,475	-	9,460	18,015	9,838
Supplemental Early Retirement	90,000	-	90,000	-	-
Other Postemployment Benefits	3,194,878	533,221	-	3,728,099	-
Totals	<u>\$ 27,643,109</u>	<u>\$ 21,570,495</u>	<u>\$ 7,247,776</u>	<u>\$ 41,965,828</u>	<u>\$ 1,178,442</u>

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, 2017

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.

General Obligation Refunding Bonds

In previous years, beginning in 1996, the District has issued refunding bonds to advance refund certain of the District's previously issued and outstanding Election of 1990 and Measure D bonds. Net proceeds from the refunding bonds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the 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 refunded bond 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. As of June 30, 2017, deferred amounts on refunding of \$241,980 remain to be amortized, and there is no principal balance outstanding on the defeased debt.

2016 General Obligation Refunding Bonds

On October 27, 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 \$159,825), were used to advance refund a portion of the District's outstanding Election of 2008, Series A General Obligation 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, 2017, of \$380,489 remain to be amortized. As of June 30, 2017, the principal balance outstanding on the defeased debt amounted to \$6,125,000.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2017

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2016 General Obligation Refunding Bonds (continued)

The refunding decreased the District's total debt service payments by \$756,243. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$658,890.

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, 2017:

Bond	Interest Rate	Date of Issue	Maturity Date	Amount of Original Issue	Outstanding, July 1, 2016	Additions	Deductions	Refunded	Outstanding, June 30, 2017
ELEMENTARY SCHOOL DISTRICT									
Measure D (2000)									
Series C	4.0%-6.0%	5/18/2005	8/1/2020	\$ 3,000,000	\$ 445,000	\$ -	\$ 80,000	\$ -	\$ 365,000
GOLDEN WEST SCHOOLS FINANCING AUTHORITY									
Refunding Issue (High School)									
2005 Revenue	3.0%-4.5%	8/3/2005	11/1/2028	1,580,000	430,000	-	140,000	-	290,000
SANTA PAULA SCHOOLS FINANCING AUTHORITY									
Refunding Issue (Elementary)									
2007 Revenue	4.0%-4.375%	6/27/2007	11/1/2028	9,990,000	7,370,000	-	375,000	-	6,995,000
HIGH SCHOOL DISTRICT									
Refunding Issue									
1996 Refunding	3.5%-5.75%	4/18/1996	8/1/2015	3,390,000	-	-	-	-	-
Measure Q (2000)									
Series A	4.0%-6.0%	12/3/2009	8/1/2034	7,800,000	7,095,000	-	225,000	6,125,000	745,000
Series B	2.5%-3.25%	5/16/2012	8/1/2041	6,999,546	6,919,280	-	45,927	-	6,873,353
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	-	-	6,545,000
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
					\$ 22,259,280	\$ 19,545,000	\$ 865,927	\$ 6,125,000	\$ 34,813,353
Accreted Interest:									
			2008, Series B		1,199,475	366,646	29,073	-	1,537,048
					\$ 1,199,475	\$ 366,646	\$ 29,073	\$ -	\$ 1,537,048

SANTA PAULA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2017***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, 2017, were as follows:

Fiscal Year	Principal	Interest	Total
2017-2018	\$ 977,225	\$ 962,499	\$ 1,939,724
2018-2019	1,720,481	1,106,427	2,826,908
2019-2020	1,661,229	1,078,319	2,739,548
2020-2021	971,562	1,003,225	1,974,787
2021-2022	1,125,000	907,156	2,032,156
2022-2027	6,095,000	4,808,909	10,903,909
2027-2032	4,420,000	5,248,816	9,668,816
2032-2037	4,984,681	5,367,293	10,351,974
2037-2042	5,973,175	6,561,088	12,534,263
2042-2047	6,885,000	713,750	7,598,750
Total	\$ 34,813,353	\$ 27,757,482	\$ 62,570,835

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 are as follows:

	Year Ended	Payment
	June 30,	
	2018	\$ 10,359
	2019	8,321
		18,680
	Less: Amount representing interest	(665)
	Present value of minimum lease payments	\$ 18,015

The District will receive no sublease rental revenues nor pay any contingent rentals for the copiers.

C. Supplemental Early Retirement Program**SERP - 2016**

In 2016, the Santa Paula Union High School District provided a Supplemental Early Retirement Program (SERP) incentive to eligible employees who elected early retirement by June 30, 2017. The incentive provides a one-time payment of \$10,000 per employee, payable in January 2017. Nine employees, who met the eligibility requirements, elected to take the incentive. As of June 30, 2017, the balance was paid in full.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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.

Condensed audited financial information is as follows:

	VCSSFA	CSEBO	VCFASTA
	June 30, 2017	June 30, 2017	June 30, 2016
Assets	\$ 113,684,619	\$ 8,928,011	\$ 50,917
Deferred Outflows	367,055	-	-
Liabilities	51,405,001	6,377,938	23,006
Deferred Inflows	55,306	-	-
Net Position	<u>\$ 62,591,367</u>	<u>\$ 2,550,073</u>	<u>\$ 27,911</u>
Revenues	\$ 26,663,117	\$ 60,203,053	\$ 120,418
Expenses	19,190,998	57,863,849	117,049
Operating Income	7,472,119	2,339,204	3,369
Non-Operating Income	854,400	64,550	361
Change in Net Position	<u>\$ 8,326,519</u>	<u>\$ 2,403,754</u>	<u>\$ 3,730</u>

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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, 2017, 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, 2017, the District had approximately \$2.2 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, 2017.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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 California Public Employees' Retirement System (CalPERS).

A. General Information about the Pension Plans

Plan Descriptions

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions under the Plan are established by State statute and District resolution. CalSTRS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalSTRS website.

The District also contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalSTRS provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of final compensation for each year of credited service at age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, increasing to a maximum of 2.4% at age 63 for members under *CalSTRS 2% at 60*, or age 65 for members under *CalSTRS 2% at 62*. The normal retirement eligibility requirements are age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, with a minimum of five years of service credited under the Defined Benefit Program, which can include service purchased from teaching in an out-of-state or foreign public school.

Employees are eligible for service-related disability benefits after five years of service, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year. Disability benefits are equal to fifty percent of final compensation regardless of age and service credit. Designated recipients of CalSTRS retired members receive a \$6,163 lump-sum death payment. There is a 2% simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue. The annual 2 percent increase is applied to all continuing benefits other than Defined Benefit Supplement annuities. However, if the member retires with a Reduced Benefit Election, the increase does not begin to accrue until the member reaches age 60 and is not payable until the member receives the full benefit. This increase is also known as the improvement factor.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 11 – PENSION PLANS (continued)

A. General Information about the Pension Plans (continued)

Benefits Provided (continued)

CalPERS also provides retirement, disability, and death benefits. Retirement benefits are determined as 1.1% of final compensation for each year of credited service at age 50 for members under *2% at 55*, or 1.0% at age 52 for members under *2% at 62*, increasing to a maximum of 2.5% at age 63 for members under *2% at 55*, or age 67 for members under *2% at 62*. To be eligible for service retirement, members must be at least age 50 and have a minimum of five years of CalPERS-credited service. Members joining on or after January 1, 2013 must be at least age 52. Disability retirement has no minimum age requirement and the disability does not have to be job related. However, members must have a minimum of five years of CalPERS service credit.

Pre-retirement death benefits range from a simple return of member contributions plus interest to a monthly allowance equal to half of what the member would have received at retirement paid to a spouse or domestic partner. To be eligible for any type of monthly pre-retirement death benefit, a spouse or domestic partner must have been either married to the member or legally registered before the occurrence of the injury or the onset of the illness that resulted in death, or for at least one year prior to death. Cost-of-living adjustments are provided by law and are based on the Consumer Price Index for all United States cities. Cost-of-living adjustments are paid the second calendar year of the member's retirement on the May 1 check and then every year thereafter. The standard cost-of-living adjustment is a maximum of 2 percent per year.

Contributions

Active CalSTRS plan members under *2% at 60* were required to contribute 10.25% and plan members under *2% at 62* were required to contribute 9.205% of their salary in 2016-17. The required employer contribution rate for fiscal year 2016-17 was 12.58% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The required employer contribution for fiscal year 2016-17 was 13.888%. The contribution requirements of the plan members are established by State statute.

For the fiscal year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS
Employer contributions	\$ 3,421,230	\$ 1,468,828
Employee contributions paid by employer	\$ -	\$ -
Employer contributions paid by State	\$ 2,033,621	\$ -

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 11 – PENSION PLANS (continued)

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
CalSTRS	\$ 41,249,310
CalPERS	<u>15,898,800</u>
Total Net Pension Liability	<u>\$ 57,148,110</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016, was as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Proportion - June 30, 2015	0.0520%	0.0791%
Proportion - June 30, 2016	<u>0.0510%</u>	<u>0.0805%</u>
Change - Increase (Decrease)	<u>-0.0010%</u>	<u>0.0014%</u>

For the year ended June 30, 2017, the District recognized pension expense of \$7,628,295. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 4,890,058	\$ -
Differences between actual and expected experience	683,801	(1,006,230)
Changes in assumptions	-	(477,664)
Adjustment due to differences in proportions	10,198,533	-
Net differences between projected and actual earnings on plan investments	<u>7,316,364</u>	<u>(1,570,082)</u>
	<u>\$ 23,088,756</u>	<u>\$ (3,053,976)</u>

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 11 - PENSION PLANS (continued)

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

The total amount of \$4,890,058 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Amount
2018	\$ 4,351,415
2019	2,138,304
2020	2,860,346
2021	1,642,952
2022	(249,371)
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2015, actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.00%	2.75%
Wage Growth	3.75%	Varies
Post-retirement Benefit Increase	2.00%	2.00%
Investment Rate of Return	7.60%	7.65%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information. The underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2014 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – for CalSTRS

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members.

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 11 – PENSION PLANS (continued)

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

Discount Rate – for CalSTRS (continued)

Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate – for CalPERS

The discount rate used to measure the total pension liability for PERF B was 7.65%. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

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

Asset Class	Target Allocation		Long-Term Expected Rate of Return	
	CalSTRS	CalPERS	CalSTRS	CalPERS
	Global Equity	47%	51%	6.30%
Global Debt Securities	N/A	20%	N/A	2.43%
Inflation Sensitive	4%	6%	3.80%	3.36%
Private Equity	13%	10%	9.30%	6.95%
Absolute Return/Risk Mitigating Strategies	9%	N/A	2.90%	N/A
Real Estate	13%	10%	5.20%	5.13%
Infrastructure and Forestland	N/A	2%	N/A	5.09%
Fixed Income	12%	N/A	0.30%	N/A
Cash/Liquidity	2%	1%	-1.00%	-1.05%
	100%	100%		

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 11 – PENSION PLANS (continued)

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

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

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

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	\$ 59,367,060	\$ 23,721,098
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 41,249,310	\$ 15,898,800
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 26,201,760	\$ 9,385,197

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

C. Payable to the Pension Plans

At June 30, 2017, the District reported a payable of \$107 for the outstanding amount of contributions to the CalSTRS pension plan and no amount payable to the CalPERS pension plan required for the fiscal year ended June 30, 2017.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

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

Plan Descriptions and Contribution Information

As of the July 1, 2015, actuarial valuation, membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits	43
Active plan members	434
Total	<u>477</u>

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Descriptions and Contribution Information (continued)

The District provides postemployment health care benefits, in accordance with the District employment contracts to all employees. 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 2016-17. 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, while Classified Management and unrepresented retirees receive the same benefits as Classified bargaining unit retirees.

Certificated Personnel

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 Santa Paula Union High School District employees hired prior to January 1, 2006) or until age 65, if earlier.

Classified Personnel

Classified employees who work at least 6 hours per day (or at least 4 hours per day if hired by Santa Paula Elementary School District prior to March 1, 1989) may retire with District-paid medical, dental and vision benefits for a period of time 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 Santa Paula Union High School District 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.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	\$ 1,245,729
Interest on net OPEB obligation	127,795
Adjustment to ARC	<u>(165,425)</u>
Annual OPEB cost	1,208,099
Contributions made:	
Pay-as-you-go costs*	<u>(674,878)</u>
Increase in net OPEB liability	533,221
Net OPEB liability - July 1, 2016	3,194,878
Net OPEB liability - June 30, 2017	<u>\$ 3,728,099</u>

**Contributions include the actual pay-as-you-go costs of benefit payments plus the value of the retiree premium subsidy of \$190,886.*

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016-17 and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Liability
2015	\$ 1,044,506	75%	\$ 2,860,527
2016	\$ 1,194,725	72%	\$ 3,194,878
2017	\$ 1,208,099	56%	\$ 3,728,099

Funded Status and Funding Progress - OPEB Plans

As of July 1, 2015, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$10.0 million and the unfunded actuarial accrued liability (UAAL) was \$10.0 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2015
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30-year level dollar, open period
Remaining Amortization Period	23 years
Actuarial Assumptions:	
Discount rate	4.0% per annum
Healthcare cost trend rates:	
Medical/Rx	5.0-8.0%
Dental/Vision	4.0%

SANTA PAULA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 13 - SUBSEQUENT EVENTS

On September 14, 2017, the District issued \$6,560,000 of Refunding General Obligation Bonds. The refunding reduced the outstanding debt service payments by \$901,823 and resulted in a net present value savings of \$847,213 for District taxpayers.

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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, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF Sources	\$ 54,219,701	\$ 54,234,046	\$ 54,368,318	\$ 134,272
Federal Sources	3,231,230	3,481,766	2,945,928	(535,838)
Other State Sources	3,489,411	6,484,586	5,586,974	(897,612)
Other Local Sources	2,939,212	3,261,864	3,656,720	394,856
Total Revenues	63,879,554	67,462,262	66,557,940	(904,322)
Expenditures				
Current:				
Certificated Salaries	27,056,159	28,171,308	27,948,128	223,180
Classified Salaries	9,490,351	9,865,853	9,860,627	5,226
Employee Benefits	12,936,106	16,160,235	15,989,406	170,829
Books and Supplies	4,748,606	5,242,496	3,765,447	1,477,049
Services and Other Operating Expenditures	6,607,874	7,803,174	6,487,126	1,316,048
Transfers of indirect costs	(144,189)	(177,688)	(177,706)	18
Capital Outlay	1,658,000	1,286,307	697,028	589,279
Intergovernmental	1,036,050	1,486,000	1,485,893	107
Total Expenditures	63,388,957	69,837,685	66,055,949	3,781,736
Excess (Deficiency) of Revenues Over (Under) Expenditures	490,597	(2,375,423)	501,991	2,877,414
Other Financing Sources and Uses				
Interfund Transfers Out	(50,000)	(1,057,093)	(1,056,871)	222
Net change in Fund Balance	440,597	(3,432,516)	(554,880)	2,877,636
Fund Balances, July 1, 2016	14,793,325	14,793,325	18,323,576	3,530,251
Fund Balances, June 30, 2017	\$ 15,233,922	\$ 11,360,809	\$ 17,768,696	\$ 6,407,887

SANTA PAULA UNIFIED SCHOOL DISTRICT

Schedule of Funding Progress

For the Fiscal Year Ended June 30, 2017

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$ -	\$ 8,983,554	\$ 8,983,554	0.0%	\$ 27,205,045	33%
July 1, 2015	\$ -	\$ 9,975,760	\$ 9,975,760	0.0%	\$ 33,649,168	30%

SANTA PAULA UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2017

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

* 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, 2017

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

* 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, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

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

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.

NOTE 2 - SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS

Benefit Changes

There were no changes to benefit terms that applied to all members of the Schools Pool.

Changes of Assumptions

There were no changes of assumptions.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2017, the District did not incur any excess of expenditures over appropriations in the individual major fund presented in the Budgetary Comparison Schedule.

Supplementary Information

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SANTA PAULA UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2017

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

DISTRICT ADMINISTRATORS

Alfonso Gamino,¹
Superintendent

Christine Schieferle,
Assistant Superintendent, Educational Services

Donna Rose,²
Assistant Superintendent, Business Services

Frida Goldstein Friend,³
Executive Director of Special Education & Student Support Services

Tommie Sanchez-Reyes,
Director of Classified Human Resources

¹ Resigned effective November 1, 2017. The current Interim Superintendent is Robert Fraise.

² Retired effective November 17, 2017.

³ Retired effective June 9, 2017. The current Executive Director of Special Education & Student Support Services is Katherine Aguirre.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2017

	Second Period Report	Annual Report
	Certificate No. (4C5F49D6)	Certificate No. (1AFC955C)
Regular ADA:		
Transitional Kindergarten through Third	1,553.38	1,554.88
Fourth through Sixth	1,261.30	1,260.84
Seventh through Eighth	838.80	838.77
Ninth through Twelfth	1,589.82	1,582.18
Total Regular ADA	<u>5,243.30</u>	<u>5,236.67</u>
Special Education, Nonpublic, Nonsectarian Schools:		
Fourth through Sixth	0.97	0.93
Ninth through Twelfth	1.10	1.16
Total ADA	<u><u>5,245.37</u></u>	<u><u>5,238.76</u></u>

SANTA PAULA UNIFIED SCHOOL DISTRICT

Schedule of Instructional Time

For the Fiscal Year Ended June 30, 2017

<u>Grade Level</u>	<u>Requirement</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	58,158	180	Complied
Grade 1	50,400	55,713	180	Complied
Grade 2	50,400	55,713	180	Complied
Grade 3	50,400	55,713	180	Complied
Grade 4	54,000	55,713	180	Complied
Grade 5	54,000	55,713	180	Complied
Grade 6	54,000	58,750	180	Complied
Grade 7	54,000	58,750	180	Complied
Grade 8	54,000	58,750	180	Complied
Grade 9	64,800	65,312	180	Complied
Grade 10	64,800	65,312	180	Complied
Grade 11	64,800	65,312	180	Complied
Grade 12	64,800	65,312	180	Complied

SANTA PAULA UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2017

General Fund	(Budget) 2018 ²	2017	2016	2015
Revenues and other financing sources	\$ 63,383,843	\$ 66,557,940	\$ 66,243,639	\$ 54,641,448
Expenditures	65,282,542	66,055,949	62,663,388	54,503,233
Other uses and transfers out	-	1,056,871	50,000	-
Total outgo	<u>65,282,542</u>	<u>67,112,820</u>	<u>62,713,388</u>	<u>54,503,233</u>
Change in fund balance (deficit)	<u>(1,898,699)</u>	<u>(554,880)</u>	<u>3,530,251</u>	<u>138,215</u>
Ending fund balance	<u>\$ 15,869,997</u>	<u>\$ 17,768,696</u>	<u>\$ 18,323,576</u>	<u>\$ 14,793,325</u>
Available reserves ¹	<u>\$ 10,032,378</u>	<u>\$ 11,961,654</u>	<u>\$ 11,844,833</u>	<u>\$ 7,808,955</u>
Available reserves as a percentage of total outgo	<u>15.4%</u>	<u>17.8%</u>	<u>18.9%</u>	<u>14.3%</u>
Total long-term debt	<u>\$ 97,935,496</u>	<u>\$ 99,113,938</u>	<u>\$ 74,311,007</u>	<u>\$ 53,318,186</u>
Average daily attendance at P-2	<u>5,139</u>	<u>5,245</u>	<u>5,322</u>	<u>5,242</u>

The General Fund balance has increased by \$2,975,371 over the past two years. The fiscal year 2017-18 adopted budget projects a decrease of \$1,898,699. 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 one of the past three years, and anticipates incurring an operating deficit during the 2017-18 fiscal year. Long-term debt has increased by \$45,795,752 over the past two years.

Average daily attendance has increased by three over the past two years. A decrease of 106 ADA is anticipated during fiscal year 2017-18.

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, 2017.

SANTA PAULA UNIFIED SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2017*

*There were no differences between the Annual Financial and Budget Report and the
Audited Financial Statements in any funds.*

SANTA PAULA UNIFIED SCHOOL DISTRICT
Combining Balance Sheet - Non-Major Governmental Funds
 June 30, 2017

	Adult Education Fund	Deferred Maintenance Fund	Cafeteria 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	\$ 235,117	\$ 978,593	\$ 130,989	\$ 10,027	\$ 803,552	\$ 2,077,405	\$ 115,653	\$ 4,351,336
Accounts receivable	833	3,017	528,396	22,291	2,558	5,801	-	562,896
Inventories	-	-	36,856	-	-	-	-	36,856
Total Assets	\$ 235,950	\$ 981,610	\$ 696,241	\$ 32,318	\$ 806,110	\$ 2,083,206	\$ 115,653	\$ 4,951,088
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 11,807	\$ 3,068	\$ 72,689	\$ 27,738	\$ -	\$ -	\$ -	\$ 115,302
Due to other funds	-	-	418,986	-	-	-	-	418,986
Deferred revenue	-	-	32,670	-	-	-	-	32,670
Total Liabilities	11,807	3,068	524,345	27,738	-	-	-	566,958
Fund Balances								
Nonspendable	-	-	36,856	-	-	-	-	36,856
Restricted	224,143	-	135,040	4,580	806,110	2,083,206	115,653	3,368,732
Committed	-	978,542	-	-	-	-	-	978,542
Total Fund Balances	224,143	978,542	171,896	4,580	806,110	2,083,206	115,653	4,384,130
Total Liabilities and Fund Balances	\$ 235,950	\$ 981,610	\$ 696,241	\$ 32,318	\$ 806,110	\$ 2,083,206	\$ 115,653	\$ 4,951,088

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, 2017

	Adult Education Fund	Deferred Maintenance Fund	Cafeteria 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								
LCPF sources	\$ -	\$ 275,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,000
Federal sources	-	-	3,281,337	-	-	-	-	3,281,337
Other state sources	484,093	-	211,327	-	-	16,810	-	712,230
Other local sources	1,821	7,007	40,627	1,132,295	6,431	1,721,086	-	2,909,267
Total Revenues	485,914	282,007	3,533,291	1,132,295	6,431	1,737,896	-	7,177,834
EXPENDITURES								
Current:								
Instructional Services:								
Instruction	237,862	-	-	-	-	-	-	237,862
Supervision of instruction	106,609	-	-	-	-	-	-	106,609
Pupil Support Services:								
Food services	-	-	3,516,770	-	-	-	-	3,516,770
General Administration Services:								
Other general administration	-	-	-	42,660	-	-	1,320	43,980
Plant services	5,520	163,057	26,936	19,892	762	-	-	216,167
Transfers of indirect costs	4,923	-	172,783	-	-	-	-	177,706
Capital outlay	-	-	-	1,143,165	-	-	-	1,173,459
Debt service:								
Issuance cost	-	-	-	-	-	159,825	-	159,825
Principal	-	-	-	-	-	245,000	650,000	895,000
Interest	-	-	-	-	-	450,914	317,974	768,888
Total Expenditures	354,914	181,351	3,716,489	1,205,717	12,762	855,739	969,294	7,296,266
Excess (Deficiency) of Revenues Over (Under) Expenditures	131,000	100,656	(183,198)	(73,422)	(6,331)	882,157	(969,294)	(118,432)
OTHER FINANCING SOURCES (USES)								
Interfund transfers in	-	-	50,000	-	-	-	960,146	1,010,146
Interfund transfers out	-	-	-	-	-	(960,146)	-	(960,146)
Premiums on bonds	-	-	-	-	-	525,503	-	525,503
Proceeds from refunding bonds	-	-	-	-	-	6,545,000	-	6,545,000
Premiums on refunding bonds	-	-	-	-	-	477,876	-	477,876
Transfers to escrow agent for defeased debt	-	-	-	-	-	(6,863,051)	-	(6,863,051)
Total Other Financing Sources and Uses	-	-	50,000	-	-	(274,818)	960,146	735,328
Net Change in Fund Balances	131,000	100,656	(133,198)	(73,422)	(6,331)	607,339	(9,148)	616,896
Fund Balances, July 1, 2016	93,143	877,886	305,094	78,002	812,441	1,475,867	124,801	3,767,234
Fund Balances, June 30, 2017	\$ 224,143	\$ 978,542	\$ 171,896	\$ 4,580	\$ 806,110	\$ 2,083,206	\$ 115,653	\$ 4,384,130

See accompanying notes to supplementary information.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

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	\$ 677,502	
National School Lunch Program	10.555	13523	1,951,259	
USDA Donated Foods	10.555	N/A	<u>219,517</u>	
Total Child Nutrition Cluster				\$ 2,848,278
National School Lunch Program Equipment Assistance Grant	10.579	14906		30,011
Child and Adult Care Food Program Cluster:				
Child and Adult Care Food Program	10.558	13393	224,961	
Cash in Lieu of Commodities	10.558	N/A	<u>94,126</u>	
Total Child and Adult Care Food Program Cluster				319,087
Fresh Fruit and Vegetable Program	10.582	14968		<u>83,961</u>
Total U.S. Department of Agriculture				<u>3,281,337</u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
No Child Left Behind (NCLB):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		874,214
Title I, Part G, Advanced Placement Test Reimbursement Program	84.330B	14831		6,688
Title I, Migrant Education Cluster:				
Title I, Part C, Migrant Education (Regular and Summer Program)	84.011	14326	107,993	
Title I, Migrant Education Summer Program	84.011	10005	38,663	
Title I, Part C, Even Start Migrant Education (MEES)	84.011	14768	<u>3,415</u>	
Total Title I, Migrant Education Cluster				150,071
Title II, Part A, Supporting Effective Instruction	84.367	14341		177,565
English Language Acquisition Grants Cluster:				
Title III, Immigrant Education Program	84.365	15146	3,451	
Title III, Limited English Proficiency (LEP) Student Program	84.365	14346	<u>187,759</u>	
Total English Language Acquisition Grants Cluster				191,210
Carl Perkins Act - Secondary	84.048	14894		47,712
Department of Rehabilitation: Workability II, Transitions Partnership	84.126	10006		90,000
Passed through Ventura County SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Local Assistance Entitlement	84.027	13379	898,456	
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	29,179	
Preschool Local Entitlement, Part B	84.173A	13682	<u>100,354</u>	
Total Special Education (IDEA) Cluster				1,027,989
Total U.S. Department of Education				<u>2,565,449</u>
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education (CDE):				
Medi-Cal Billing Option	93.778	10013		229,115
Medi-Cal Administrative Activities (MAA)	93.778	10060		115,632
Total U.S. Department of Health & Human Services				<u>344,747</u>
Total Expenditures of Federal Awards				<u>\$ 6,191,533</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, 2017

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, 2017.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 6,227,265
Differences between Federal Revenues and Expenditures:		
Medi-Cal Billing Option	93.778	13,269
Medi-Cal Administrative Activities	93.778	(49,001)
Total Schedule of Expenditures of Federal Awards		<u>\$ 6,191,533</u>

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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, 2017, 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 13, 2017.

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

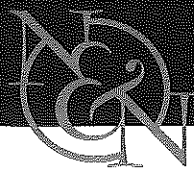
As part of obtaining reasonable assurance about whether Santa Paula Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 13, 2017



**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, 2017, 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 13, 2017.

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.

Handwritten signature in black ink that reads "Nigro & Nigro, PC". The signature is written in a cursive, slightly stylized font.

Murrieta, California
December 13, 2017



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 2016-17 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, 2017.

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 2016-17 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:

Table with 2 columns: Description, Procedures Performed. Rows include Attendance, Teacher Certification and Misassignments, Kindergarten Continuance, Independent Study, Continuation Education, Instructional Time, Instructional Materials, and Ratio of Administrative Employees to Teachers.

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
Mental Health Expenditures	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After 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
Immunizations	Yes
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

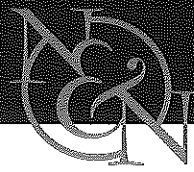
We did not perform testing for independent study because the ADA was under the level that requires testing.

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, 2017.

Nigro & Nigro, PC

Murrieta, California
December 13, 2017



**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, 2017. 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, 2017.

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.

Nigro & Nigro, PC

Murrieta, California
December 13, 2017

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, 2017

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>
84.010	Title I, Part A, Basic Grants Low-Income and Neglected
84.027, 84.173, 84.173A	Special Education (IDEA) Cluster

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, 2017

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:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
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 2016-17.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

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 2016-17.

SANTA PAULA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

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

SANTA PAULA UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2017

Original Finding No.	Finding	Code	Recommendation	Current Status
<p><i>Finding 2016-001:</i> <i>Instructional Materials Public Hearing Notice</i></p>	<p>California Education Code Section 60119 requires that school districts conduct a public hearing regarding the sufficiency of textbooks and instructional materials. Furthermore, the District must provide 10-day notice of the public hearing. The notice must include the time, place, and purpose of the hearing and must be posted at a minimum of three public locations within the District.</p> <p>The District failed to post the notice in three public places. The District posted the notice at the District Office and on the District website.</p>	70000	We recommend that the District ensure that all future notices comply with the Education Code.	Implemented.

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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, 2017, 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 13, 2017, on the financial statements of Santa Paula Unified School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: During our testing of cash disbursements, we noted that disbursements sampled were approved by the District Representative, the ASB advisor, and/or the student representative, but not until after the expenditure had already been incurred. Education Code Section 48933(b) requires that all disbursements 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.

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. We recommend that the site adopt a procedure for compliance with the Ed Code in obtaining the required approvals.

Observation: In our testing of cash disbursements, we found some expenses that were unallowable or questionable. Such expenses are usually not allowable because they are considered a District expense. Anything that is purchased from ASB funds must be for goods and services that promote the students' general welfare, morale, and educational experiences.

Recommendation: We recommend that the governing board include language in the ASB policies that address whether such expenses are to be considered an allowable use of ASB funds.

Observation: During our testing of cash receipts, we found that some deposits tested lacked sufficient supporting documentation. Without original supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB accounts. Sound internal controls for handling cash discourages 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 are generated and to ensure that all proceeds from the event are turned in and properly reconciled to sales.

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

DISTRICT OFFICE

Observation: During our test of District expenditures, 10 out of 77 invoices were dated prior to the purchase order dates. This indicates that the expenses were incurred prior to approval.

Recommendation: We recommend that the District obtain prior approval through a purchase order prior to making any purchases. This ensures that the District is only liable for expenses that are approved.

Observation: During our audit of compensated absences, we reviewed the collective bargaining unit agreement for District employees and identified that the maximum carryover of vacation of their employees is 240 hours. After reviewing the schedule of compensated absences, we noted several employees that have accrued vacation exceeding this carryover amount.

Recommendation: The District should begin monitoring the balances and enforcing the carryover limitations in accordance with the collective bargaining agreement.

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

Nigro & Nigro, PC

Murrieta, California
December 13, 2017