



Annual Financial Report
June 30, 2019

Goleta Union School District



GOLETA UNION SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Goleta Union School District
Goleta, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, budgetary comparison schedules on pages 64 through 65, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 66, schedule of the District's proportionate share of the net pension liability on page 67, and the schedule of District contributions on page 68, 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 Goleta Union School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019 on our consideration of the Goleta Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Goleta Union School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Goleta Union School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 18, 2019



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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

Governmental Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fund Financial Statements* include statements for each of the following three categories of activities: governmental, proprietary, and fiduciary.

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

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

The primary unit of the government is the Goleta Union School District.

GOLETA UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

GOLETA UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Warehouse Revolving Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

GOLETA UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

FINANCIAL HIGHLIGHTS

Executive Summary

The District ended the year in a stable financial position that was improved over originally projected District's Adopted and Interim Budgets. Total revenues in the District General Fund reached \$56,581,033, with \$9,386,010 coming from restricted resources representing a total growth in revenues of 10.8 percent. Total expenditures in the District General Fund were \$55,499,397, with \$ 17,626,282 in restricted programs for a total growth of 8.4 percent. The favorable financial position at year-end allowed for a \$225,000 transfer to the District's Deferred Maintenance Fund.

The District's fiscal year operations in the General Fund added \$855,333 to fund balance reserves. This is a significant improvement over the original amount of deficit spending projected in the 2018-2019 Budget of \$1.4 million. This change is mainly due to the receipt of over \$600,000 in anticipated one-time revenues and the movement of the science curriculum adoption of \$750,000 to fiscal year 2019-2020. General Fund Reserves at the end of the 2018-2019 fiscal year totaled \$13,203,930, of which \$875,380 is restricted, \$1,538,915 is the required three percent Reserve for Economic Uncertainties, and fund balance assignments of \$1,768,632.

Property Taxes

Property tax revenue growth for GUSD's General Fund reached \$40,062,816 for 2018-2019, which resulted in 3.98 percent growth for the 2018-2019 fiscal year once the one-time prior year revenue from 2017-2018 was removed. Again, a one-time distribution of revenue resulting from RDA asset liquidation in the amount of \$535,164.76 enhanced the overall property tax growth for the year. The additional unanticipated growth is largely due to increased amounts received from redevelopment agencies, which grew by 11.28 percent. Projections of property tax revenue growth in the future years are four percent from one year to the next.

One-Time Funding

The 2018-2019 state budget again included one-time funds for the reimbursement of outstanding mandate claims. The original budgeted amount for 2018-2019 included \$500,000 of one-time discretionary funds but ended up receiving \$626,514. We also received a rebate of prior premiums for Workers Compensation insurance in the amount of \$627,950. Both amounts were assigned in the General Fund at June 30, 2019. The new total of one-time money assigned in the General Fund at the end of 2018-2019 is \$1,768,632. We do not anticipate receiving any additional one-time money in 2019-2020. GUSD Administration developed a plan to spend the funds and had it approved by the GUSD Board of Trustees. This plan will be reviewed annually.

Enrollment

Final certified enrollment figures for the Goleta Union School District for the 2018-2019 school year, as reported in the California Longitudinal Pupil Achievement System (CALPADS) was 3,565 total students, which is up 33 from the prior year. The District's total unduplicated pupil count of Free and Reduced Meal eligible students and English Language Learners is 1,619 students, which represents 45.5 percent of the population.

GOLETA UNION SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

THE DISTRICT AS A WHOLE

Net Position

The District's net position (deficit) was \$(16,842,072) for the fiscal year ended June 30, 2019. Of this amount, \$(33,966,788) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2019	2018
Assets		
Current and other assets	\$ 21,181,823	\$ 20,125,379
Capital assets	23,514,041	24,199,714
Total Assets	44,695,864	44,325,093
Deferred Outflows of Resources	17,852,519	18,204,177
Liabilities		
Current liabilities	927,671	898,225
Long-term obligations	14,311,406	15,568,517
Aggregate net pension liability	59,257,999	56,812,717
Total Liabilities	74,497,076	73,279,459
Deferred Inflows of Resources	4,893,379	5,233,197
Net Position		
Net investment in capital assets	10,559,971	10,196,068
Restricted	6,564,745	6,294,415
Unrestricted (deficit)	(33,966,788)	(32,473,869)
Total Net Position (deficit)	\$ (16,842,072)	\$ (15,983,386)

The \$(33,966,788) in unrestricted net position (deficit) of all governmental activities represents the accumulated results of all past years' operations. Unrestricted net position (deficit) increased by \$1,492,919 (4.6 percent) compared to \$(32,473,869). The increase in the Total Net Position deficit is largely due to the increase in the pension liability.

GOLETA UNION SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 17. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2019	2018
Revenues		
Program revenues:		
Charges for services	\$ 945,606	\$ 523,322
Operating grants and contributions	39,660,748	45,069,017
General revenues:		
Federal and State aid not restricted	4,304,118	4,141,514
Property taxes	42,474,726	40,794,422
Other general revenues	3,226,167	3,949,004
Total Revenues	90,611,365	94,477,279
Expenses		
Instruction-related	45,335,825	42,688,626
Pupil services	5,434,236	5,019,349
Administration	3,785,878	3,146,721
Plant services	5,478,519	5,101,973
Transfers to other entities	30,178,665	38,436,462
All other services	1,256,928	1,057,841
Total Expenses	91,470,051	95,450,972
Change in Net Position	\$ (858,686)	\$ (973,693)

GOLETA UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was \$91,470,051. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$42,474,726 because the cost was paid by those who benefited from the programs (\$945,606) or by other governments and organizations who subsidized certain programs with grants and contributions (\$39,660,748). We paid for the remaining "public benefit" portion of our governmental activities with \$7,530,285 in Federal and State funds and other revenues, like interest and general entitlements.

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

Table 3

	Net Cost of Services	
	2019	2018
Instruction	\$ 27,434,689	\$ 27,860,821
Instruction-related activities	5,186,094	4,833,651
Pupil services	2,860,638	2,915,097
Administration	3,616,723	3,062,858
Plant services	5,291,126	5,049,641
Transfers to other entities	5,626,454	5,387,563
All other services	847,973	749,002
Total	\$ 50,863,697	\$ 49,858,633

The increase to the Net Cost of Services across functions is due mostly to negotiated salary increases as well as purchases made with one-time funds.

GOLETA UNION SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$20,411,102, which is an increase of \$1,004,281 from last year. (Table 4)

Table 4

	Balances and Activity			
	July 1, 2018	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2019
General Fund	\$ 12,348,597	\$ 56,581,033	\$ 55,725,700	\$ 13,203,930
Special Education				
Pass-Through Fund	677	29,490,855	29,491,532	-
Capital Facilities Fund	3,338,413	229,960	102,122	3,466,251
Child Development Fund	-	434,282	434,282	-
Cafeteria Fund	231,206	1,979,462	1,858,285	352,383
Deferred Maintenance Fund	1,463,513	249,984	361,837	1,351,660
Bond Interest and Redemption Fund	2,024,415	1,645,789	1,633,326	2,036,878
Total	\$ 19,406,821	\$ 90,611,365	\$ 89,607,084	\$ 20,411,102

Included in prior year, numbers updated:

- a. The General Fund is our principal operating fund. The fund balance in the General Fund increased \$855,333 to \$13,203,930. This small decrease is due to the net effect of unanticipated one-time revenue and spending levels at year end less than projections.
- b. The Cafeteria Fund increased \$121,177 to \$352,383 due to the receipt of one-time grant funds to be used to purchase new serving equipment for school sites.
- c. Our Deferred Maintenance Fund decreased \$111,853 to \$1,351,660 due to the regular transfer of \$225,000 from the General Fund and spending funds on maintenance projects such as asphalt rehabilitation.
- d. Our Capital Facilities Fund increased \$127,838 to \$3,466,251 due to continued growth in housing and construction in the Goleta area that continues to generate collections of school fees from the developers.

GOLETA UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 17, 2019. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 64).

Some of the variations between the original and final budget amounts and between the final budget and actual result are explained below:

- Significant revenue revisions made to the 2018-2019 Budget for Local Control Funding Formula revenues were due to increases in actual property taxes received. Original estimates were very conservative and did not include amounts of one-time property tax revenues received due to increased apportionments of taxes from Redevelopment Agencies (RDA). Final budget adjustments did not include actuals due to unanticipated revenues received from the Goleta Redevelopment Agency above and beyond projections.
- The revenue variance in State Revenues was mainly due to the fact that we did not budget for our portion of the STRS benefit paid for by the State on behalf of our District for our teachers to their retirement accounts. This adjustment now includes an amount for classified staff in the PERS retirement system.
- Other local sources increased to account for amounts paid from school site PTA amounts that are normally not budgeted until actually received. These are amounts pledged by local PTAs to fund site expenditures to supplement educational programs and staffing.
- Budgeted expenditures increased overall due to the collective bargaining settlement reached during 2018-2019 and to under budgeted amounts for employee benefits.
- Budgeted expenditures for books and supplies were less than originally budgeted and the final budget amounts due to a large budgeted to purchase a new science curriculum that was moved to the subsequent year.

GOLETA UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had \$23,514,041 in a broad range of capital assets, including land and construction in process, land improvements, buildings and improvements, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$685,673, from last year (Table 5).

Table 5

	Governmental Activities	
	2019	2018
Land and construction in process	\$ 1,437,060	\$ 1,437,060
Land improvements	747,175	784,864
Buildings and improvements	20,700,816	21,383,397
Furniture and equipment	628,990	594,393
Total	\$ 23,514,041	\$ 24,199,714

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

Long-Term Obligations

At the end of this year, the District had \$14,311,406 in long-term obligations outstanding versus \$15,568,517 last year, a decrease of 8.1 percent. Those obligations consisted of:

Table 6

	Governmental Activities	
	2019	2018
General obligation bonds - net of premium on issuance	\$ 13,757,452	\$ 14,886,028
Compensated absences	259,707	352,755
Net other postemployment benefits (OPEB) liability	294,247	329,734
Total	\$ 14,311,406	\$ 15,568,517

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

The State limits the amount of general obligation debt that Districts can issue to 1.25 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt is significantly below statutorily imposed limit.

Net Pension Liability (NPL)

At year-end, the District has a net pension liability of \$59,257,999 versus \$56,812,717 last year, an increase of \$2,445,282, or 4.3 percent.

GOLETA UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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

The Goleta Union School District continues to implement the new ELA Curriculum districtwide along with the new Second Step curriculum. Investment continues in professional development in the Professional Learning Communities initiative. Leadership and faculty members attend conferences and trainings to incorporate the PLC philosophy across all grade levels. We will continue to maintain current technology throughout the district by investing in new classroom devices and refreshing teacher laptops.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The key assumptions in our revenue forecast are:

1. **COMMUNITY FUNDED:** Property tax revenues were projected to increase by four percent due to an estimated rise in assessed valuation and general growth. That growth projection based on data received from the County Auditor's Office is now 5.2 percent and includes increased allocations from the Goleta Redevelopment Agency.
2. Developer fee collections were originally projected at \$205,000 based on approximate new housing units to be constructed, but year to date collections have far exceeded that amount. We expect the development to slow and developer fee revenue to decline.
3. Federal income may increase slightly due to increases in enrollment and a push to qualify students for free and reduced lunch programs.
4. State income has been increased due to the inclusion of one-time funds allocated by the state at \$147.32 per ADA for a total of \$505,738 that was not included in the original budget

Expenditures are based on the following forecasts:

1. Salaries and benefits include amounts budgeted for filled positions and FTE along with mandated movement along salary schedules and do not include any projection of cost for negotiated settlements.
2. Benefits include the increase to the employer contribution for PERS and STRS
3. The Books and Supplies accounts have been increased to account for the purchase of a science curriculum adoption of \$750,000 to be paid for out of Assigned Fund Balance from prior year one-time funds from the State.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Conrad Tedeschi, CPA, CPFO, Assistant Superintendent, Fiscal Services, at Goleta Union School District, 401 North Fairview Avenue, Goleta, California, 93117, or e-mail at ctedeschi@goleta.k12.ca.us.

GOLETA UNION SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 19,310,288
Receivables	1,841,588
Prepaid expenses	553
Stores inventories	29,394
Capital Assets	
Land and construction in process	1,437,060
Other capital assets	49,464,170
Less: Accumulated depreciation	(27,387,189)
Total Capital Assets	<u>23,514,041</u>
Total Assets	<u>44,695,864</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	803,382
Deferred outflows of resources related to pensions	17,049,137
Total Deferred Outflows of Resources	<u>17,852,519</u>
LIABILITIES	
Accounts payable	607,267
Accrued interest payable	242,500
Unearned revenue	77,904
Long-term obligations:	
Current portion of long-term obligations other than pensions	1,085,000
Noncurrent portion of long-term obligations other than pensions	13,226,406
Total Long-Term Obligations	<u>14,311,406</u>
Aggregate net pension liability	59,257,999
Total Liabilities	<u>74,497,076</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	4,893,379
NET POSITION	
Net investment in capital assets	10,559,971
Restricted for:	
Debt service	1,794,378
Capital projects	3,466,251
Educational programs	875,380
Other activities	428,736
Unrestricted (deficit)	(33,966,788)
Total Net Position	<u>\$ (16,842,072)</u>

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

GOLETA UNION SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 39,373,677	\$ 190,182	\$ 11,748,806	\$ (27,434,689)
Instruction-related activities:				
Supervision of instruction	1,265,545	1,859	468,339	(795,347)
Instructional library, media, and technology	462,352	600	23,634	(438,118)
School site administration	4,234,251	1,088	280,534	(3,952,629)
Pupil services:				
Home-to-school transportation	1,222,554	-	38,932	(1,183,622)
Food services	1,866,217	619,822	1,257,827	11,432
All other pupil services	2,345,465	1,677	655,340	(1,688,448)
Administration:				
Data processing	49,014	-	-	(49,014)
All other administration	3,736,864	725	168,430	(3,567,709)
Plant services	5,478,519	7,886	179,507	(5,291,126)
Ancillary services	126,000	-	-	(126,000)
Community services	564,345	16,009	392,946	(155,390)
Interest on long-term obligations	566,583	-	-	(566,583)
Transfers to other entities	30,178,665	105,758	24,446,453	(5,626,454)
Total Governmental Activities	\$ 91,470,051	\$ 945,606	\$ 39,660,748	(50,863,697)
General revenues and subventions:				
Property taxes, levied for general purposes				40,851,899
Property taxes, levied for debt service				1,622,827
Federal and State aid not restricted to specific purposes				4,304,118
Interest and investment earnings				305,474
Miscellaneous				2,920,693
			Subtotal, General Revenues	50,005,011
			Change in Net Position	(858,686)
			Net Position - Beginning	(15,983,386)
			Net Position - Ending	\$ (16,842,072)

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

GOLETA UNION SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	General Fund	Special Education Pass-Through Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	\$ 12,151,531	\$ -	\$ 3,449,183	\$ 3,649,172	\$ 19,249,886
Receivables	1,629,260	805	17,068	194,455	1,841,588
Due from other funds	26,139	-	-	-	26,139
Prepaid expenditures	553	-	-	-	553
Stores inventories	-	-	-	8,697	8,697
Total Assets	\$ 13,807,483	\$ 805	\$ 3,466,251	\$ 3,852,324	\$ 21,126,863
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 565,353	\$ 805	\$ -	\$ 36,587	\$ 602,745
Due to other funds	8,973	-	-	26,139	35,112
Unearned revenue	29,227	-	-	48,677	77,904
Total Liabilities	603,553	805	-	111,403	715,761
Fund Balances:					
Nonspendable	5,553	-	-	9,197	14,750
Restricted	875,380	-	3,466,251	2,380,064	6,721,695
Assigned	1,768,632	-	-	1,351,660	3,120,292
Unassigned	10,554,365	-	-	-	10,554,365
Total Fund Balances	13,203,930	-	3,466,251	3,740,921	20,411,102
Total Liabilities and Fund Balances	\$ 13,807,483	\$ 805	\$ 3,466,251	\$ 3,852,324	\$ 21,126,863

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

GOLETA UNION SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds	\$ 20,411,102
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 50,901,230
Accumulated depreciation is	<u>(27,387,189)</u>
Net Capital Assets	23,514,041
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included in the government-wide statements.	803,382
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.	(242,500)
An internal service fund is used by the District's management to account for supplies inventory. The assets and liabilities of the internal service fund are included with governmental activities.	85,550
Deferred outflow of resources represent a compumption of net position in a future period and are not reported in the District's funds.	
Deferred outflows of resources related to pensions at year end consist of:	
Pension contributions subsequent to measurement date	5,817,501
Net change in proportionate share of net pension liability	1,540,566
Differences between projected and actual earnings on pension plan investments	163,186
Differences between expected and actual experience in the measurement of the total pension liability	1,426,328
Changes of assumptions	<u>8,101,556</u>
Total Deferred Outflows of Resources related to Pensions	17,049,137

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

GOLETA UNION SCHOOL DISTRICT

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

Deferred inflows of resources represent an acquisition of net position that applies to a future period and are not reported in the District's funds.

Deferred inflows of resources related to pensions at year end consist of:

Net change in proportionate share of net pension liability	\$ (2,805,905)	
Differences between projected and actual earnings on pension plan investments	(1,515,710)	
Differences between expected and actual experience in the measurement of the total pension liability	<u>(571,764)</u>	
Total Deferred Inflows of Resources related to Pensions		\$ (4,893,379)

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. (59,257,999)

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term obligations at year-end consist of:

General obligation bonds	(12,755,000)	
Premium on issuance	(1,002,452)	
Compensated absences	(259,707)	
Net other postemployment benefits (OPEB) liability	<u>(294,247)</u>	
Total Long-Term Obligations		<u>(14,311,406)</u>
Total Net Position - Governmental Activities		<u><u>\$ (16,842,072)</u></u>

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

GOLETA UNION SCHOOL DISTRICT

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

	General Fund	Special Education Pass-Through Fund	Capital Facilities Fund
REVENUES			
Local Control Funding Formula	\$ 43,818,321	\$ -	\$ -
Federal sources	1,434,098	1,767,044	-
Other State sources	6,486,045	27,721,500	-
Other local sources	4,842,569	2,311	229,960
Total Revenues	<u>56,581,033</u>	<u>29,490,855</u>	<u>229,960</u>
EXPENDITURES			
Current			
Instruction	36,936,511	-	-
Instruction-related activities:			
Supervision of instruction	1,209,123	-	-
Instructional library, media, and technology	445,719	-	-
School site administration	4,005,690	-	-
Pupil services:			
Home-to-school transportation	1,209,901	-	-
Food services	15,522	-	-
All other pupil services	2,221,686	-	-
Administration:			
All other administration	3,613,938	-	-
Plant services	5,066,634	-	36,967
Ancillary services	126,000	-	-
Community services	140,356	-	-
Other outgo	460,831	-	-
Facility acquisition and construction	47,487	-	65,155
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Transfers to other entities	-	29,491,532	-
Total Expenditures	<u>55,499,398</u>	<u>29,491,532</u>	<u>102,122</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,081,635</u>	<u>(677)</u>	<u>127,838</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(226,302)	-	-
Net Financing Sources (Uses)	<u>(226,302)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	855,333	(677)	127,838
Fund Balance - Beginning	12,348,597	677	3,338,413
Fund Balance - Ending	<u>\$ 13,203,930</u>	<u>\$ -</u>	<u>\$ 3,466,251</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 43,818,321
1,050,753	4,251,895
681,377	34,888,922
2,351,085	7,425,925
<u>4,083,215</u>	<u>90,385,063</u>
-	36,936,511
-	1,209,123
-	445,719
-	4,005,690
-	1,209,901
1,877,649	1,893,171
-	2,221,686
11,139	3,625,077
355,282	5,458,883
-	126,000
403,779	544,135
-	460,831
6,555	119,197
1,030,000	1,030,000
603,326	603,326
-	29,491,532
<u>4,287,730</u>	<u>89,380,782</u>
<u>(204,515)</u>	<u>1,004,281</u>
226,302	226,302
-	(226,302)
<u>226,302</u>	<u>-</u>
21,787	1,004,281
3,719,134	19,406,821
<u>\$ 3,740,921</u>	<u>\$ 20,411,102</u>

GOLETA UNION SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds	\$ 1,004,281
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.</p> <p>This is the amount by which depreciation exceeds capital outlays in the period:</p>	
Depreciation expense	\$ (980,249)
Capital outlays	<u>294,576</u>
Net Expense Adjustment	(685,673)
<p>In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year vacation earned was less than the amounts used.</p>	
	93,048
<p>In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.</p>	
	(2,378,122)
<p>In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the net OPEB liability during the year.</p>	
	35,487
<p>Repayment of debt obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:</p>	
General obligation bonds	1,030,000

GOLETA UNION SCHOOL DISTRICT

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

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when the financial resources are available. This adjustment includes amortization of premium on issuance and deferred charge on refunding.

Amortization of premium on issuance	\$ 98,576	
Amortization of deferred charges on refunding	<u>(79,000)</u>	
Combined Adjustment		\$ 19,576

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The accrued interest on the general obligation bonds decreased by \$17,167.

17,167

An internal service fund is used by the District's management to charge the costs of the warehouse program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

5,550

Change in Net Position of Governmental Activities	<u><u>\$ (858,686)</u></u>
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GOLETA UNION SCHOOL DISTRICT

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

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 60,402
Due from other funds	8,973
Stores inventories	20,697
Total Current Assets	<u>90,072</u>
LIABILITIES	
Current Liabilities	
Accounts payable	<u>4,522</u>
NET POSITION	
Restricted	<u><u>\$ 85,550</u></u>

GOLETA UNION SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Sales	\$ 270,090
OPERATING EXPENSES	
Materials and supplies	264,540
Change in Net Position	5,550
Total Net Position - Beginning	80,000
Total Net Position - Ending	<u>\$ 85,550</u>

GOLETA UNION SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating cash receipts	\$ 270,090
Cash payments to other suppliers of goods or services	(265,503)
Net Cash Provided by Operating Activities	<u>4,587</u>
Cash and Cash Equivalents - Beginning	<u>55,815</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 60,402</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 5,550
Changes in assets and liabilities:	
Due from other fund	(8,973)
Inventories	47,375
Accounts payable	(29,375)
Due to other fund	(9,990)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 4,587</u></u>

GOLETA UNION SCHOOL DISTRICT

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

	Agency Funds			Totals
	Student Body Fund	Flexible Spending Fund	Payroll Clearing Fund	
ASSETS				
Deposits and investments	\$ 686,955	\$ 59,975	\$ 1,065,473	\$ 1,812,403
Receivables	-	-	4,132	4,132
Total Assets	\$ 686,955	\$ 59,975	\$ 1,069,605	\$ 1,816,535
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 2,309	\$ 2,309
Due to student groups	686,955	-	-	686,955
Due to employees	-	59,975	-	59,975
Due to other agencies	-	-	1,067,296	1,067,296
Total Liabilities	\$ 686,955	\$ 59,975	\$ 1,069,605	\$ 1,816,535

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Goleta Union School District (the District) was organized in 1925 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to preschool and TK-6 grades as mandated by the State and/or Federal agencies. The District operates nine elementary schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Goleta Union School District, this includes general operations, food service, student related activities of the District, and serving as the administrative unit for the Santa Barbara County Special Education Local Plan Area.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Special Education Pass-Through Fund The Special Education Pass-Through Fund is used by the Administrative Unit of a multi-district Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member districts.

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 6006).

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Non-Major Governmental Funds

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

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

Debt Service Funds The Debt Service Funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term obligations.

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

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Proprietary Funds Proprietary Funds are used to account for activities that are more business-like than government-like in nature. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

Internal Service Fund Internal Service Funds may be used to account for goods or services provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a warehouse revolving fund that is accounted for as an internal service fund.

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

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

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Proprietary Funds Proprietary Funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

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

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

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

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

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

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the Santa Barbara County investment pool are determined by the program sponsor.

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

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

GOLETA UNION SCHOOL DISTRICT

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JUNE 30, 2019

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

Interfund Balances

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Compensated Absences

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

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

Debt Issuance Costs, Premiums, and Discounts

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

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Accrued Liabilities and Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Fund Balances - Governmental Funds

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$6,564,745 of restricted net position.

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles

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

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

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

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

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

New Accounting Pronouncements

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

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

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

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

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

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

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

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

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

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

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

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

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

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 19,310,288
Fiduciary funds	1,812,403
Total Deposits and Investments	<u>\$ 21,122,691</u>

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

Cash on hand and in banks	\$ 848,462
Cash in revolving	5,500
Investments	20,268,729
Total Deposits and Investments	<u>\$ 21,122,691</u>

Policies and Practices

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by holding the majority of its investments in the Santa Barbara County Treasury Investment Pool. The Pool purchases shorter term investments and attempts to time cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$20,268,729 with the Santa Barbara County Treasury Investment Pool. The average weighted maturity for this pool was 289 days.

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Credit Risk

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

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, of the District's bank balance of \$773,982 and \$20,679 was exposed to custodial credit risk because it was not fully insured.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

Investment Type	Reported Amount	Uncategorized
Santa Barbara County Treasury Investment Pool	\$ 20,268,729	\$ 20,268,729

NOTE 4 – RECEIVABLES

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

	General Fund	Special Education Pass-Through Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Fund
Federal Government						
Categorical aid	\$ 897,088	\$ -	\$ -	\$ 132,743	\$ 1,029,831	\$ -
State Government						
Categorical aid	243,294	-	-	45,698	288,992	-
Lottery	178,473	-	-	-	178,473	-
Local Government						
Interest	70,472	805	17,068	16,014	104,359	3,444
Other local sources	239,933	-	-	-	239,933	688
Total	<u>\$ 1,629,260</u>	<u>\$ 805</u>	<u>\$ 17,068</u>	<u>\$ 194,455</u>	<u>\$ 1,841,588</u>	<u>\$ 4,132</u>

GOLETA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 1,437,060	\$ -	\$ -	\$ 1,437,060
Total Capital Assets Not Being Depreciated	1,437,060	-	-	1,437,060
Capital Assets Being Depreciated				
Land improvements	4,583,580	124,944	-	4,708,524
Buildings and improvements	40,590,832	26,130	-	40,616,962
Furniture and equipment	3,995,182	143,502	-	4,138,684
Total Capital Assets Being Depreciated	49,169,594	294,576	-	49,464,170
Less Accumulated Depreciation				
Land improvements	3,798,716	162,633	-	3,961,349
Buildings and improvements	19,207,435	708,711	-	19,916,146
Furniture and equipment	3,400,789	108,905	-	3,509,694
Total Accumulated Depreciation	26,406,940	980,249	-	27,387,189
Governmental Activities Capital Assets, Net	<u>\$ 24,199,714</u>	<u>\$ (685,673)</u>	<u>\$ -</u>	<u>\$ 23,514,041</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 764,608
School site administration	58,816
Home-to-school transportation	19,606
All other pupil services	19,606
Data processing	9,783
All other general administration	49,014
Plant services	58,816
Total Depreciation Expenses Governmental Activities	<u>\$ 980,249</u>

GOLETA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

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

Due To	Due From		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 26,139	\$ 26,139
Internal Service Fund	8,973	-	8,973
Total	\$ 8,973	\$ 26,139	\$ 35,112

The balance of \$26,139 due from the Child Development Non-Major Governmental Fund to the General Fund resulted from a reimbursement of costs.

The balance of \$8,973 due from the General Fund to the Internal Service Fund resulted from the year-end reconciliation of warehouse issues.

Operating Transfers

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

The General Fund transferred \$225,000 to the Deferred Maintenance Non-Major Governmental Fund flexible funds committed for the District's deferred maintenance activities.

The General Fund transferred \$1,302 to the Cafeteria Non-Major Governmental Fund for an operating contribution.

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Salaries and benefits	\$ 27,437	\$ -	\$ -	\$ -	\$ 27,437
Supplies	182,599	-	7,360	4,374	194,333
Services	251,753	-	25,241	148	277,142
Capital outlay	90,976	-	3,690	-	94,666
Due to SELPA	5,429	805	-	-	6,234
Other vendor payables	7,159	-	296	-	7,455
Total	\$ 565,353	\$ 805	\$ 36,587	\$ 4,522	\$ 607,267

GOLETA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 - UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 29,227	\$ 43,091	\$ 72,318
State categorical aid	-	5,586	5,586
Total	<u>\$ 29,227</u>	<u>\$ 48,677</u>	<u>\$ 77,904</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds payable	\$ 13,785,000	\$ -	\$ 1,030,000	\$ 12,755,000	\$ 1,085,000
Premium on issuance	1,101,028	-	98,576	1,002,452	-
Compensated absences	352,755	-	93,048	259,707	-
Net other postemployment benefits (OPEB) liability	329,734	-	35,487	294,247	-
	<u>\$ 15,568,517</u>	<u>\$ -</u>	<u>\$ 1,257,111</u>	<u>\$ 14,311,406</u>	<u>\$ 1,085,000</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Compensated absences will be paid by the fund for which the employee worked. The net other postemployment benefits (OPEB) liability will be paid by the General Fund.

Bonded Debt

2013 General Obligation Refunding Bonds

In July 2013, the District issued the 2013 General Obligation Refunding Bonds. The bonds mature through August 1, 2029, with interest rates ranging from 2.00 to 5.00 percent. The bonds were issued to refund the District's outstanding principal balance of the Golden West Schools Financing Authority 2005 General Obligation Bonds and pay costs of issuance of the bonds. At June 30, 2019, the principal balance outstanding was \$12,755,000, and the remaining unamortized premium was \$1,002,452. Deferred charges on the refunding amounted to \$803,382 at June 30, 2019.

GOLETA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Debt Service Requirements to Maturity

The bonds mature through 2030 as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 1,085,000	\$ 565,725	\$ 1,650,725
2021	1,130,000	526,850	1,656,850
2022	1,165,000	475,125	1,640,125
2023	1,230,000	421,400	1,651,400
2024	1,280,000	364,800	1,644,800
2025-2029	6,530,000	794,300	7,324,300
2030	335,000	6,700	341,700
Total	\$ 12,755,000	\$ 3,154,900	\$ 15,909,900

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to \$259,707.

Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	OPEB Expense
Medicare Premium Payment (MPP) Program	\$ 294,247	\$ (35,487)

The details of this plan is as follows:

Medicare Premium Payment (MPP) Program

Plan Description

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

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of \$294,247 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.0769 percent, and 0.0784 percent, resulting in a net decrease in the proportionate share of 0.0015 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(35,487).

Actuarial Methods and Assumptions

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

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

Discount Rate

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

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	\$ 325,452
Current discount rate (3.87%)	294,247
1% increase (4.87%)	266,071

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 268,323
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	294,247
1% increase (4.7% Part A and 5.1% Part B)	322,127

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 5,000	\$ -	\$ 500	\$ 5,500
Stores inventories	-	-	8,697	8,697
Prepaid expenditures	553	-	-	553
Total Nonspendable	<u>5,553</u>	<u>-</u>	<u>9,197</u>	<u>14,750</u>
Restricted				
Legally restricted programs	875,380	-	343,186	1,218,566
Capital projects	-	3,466,251	-	3,466,251
Debt services	-	-	2,036,878	2,036,878
Total Restricted	<u>875,380</u>	<u>3,466,251</u>	<u>2,380,064</u>	<u>6,721,695</u>
Assigned				
Other assigned	1,768,632	-	-	1,768,632
Deferred maintenance program	-	-	1,351,660	1,351,660
Total Assigned	<u>1,768,632</u>	<u>-</u>	<u>1,351,660</u>	<u>3,120,292</u>
Unassigned				
Reserve for economic uncertainties	1,664,982	-	-	1,664,982
Remaining unassigned	8,889,383	-	-	8,889,383
Total Unassigned	<u>10,554,365</u>	<u>-</u>	<u>-</u>	<u>10,554,365</u>
Total	<u>\$ 13,203,930</u>	<u>\$ 3,466,251</u>	<u>\$ 3,740,921</u>	<u>\$ 20,411,102</u>

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 11 - RISK MANAGEMENT

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

The District's risk management activities are recorded in the General Fund. The District participates in the various public entity risk pools for health, workers' compensation, and property and liability risks. As of June 30, 2019, information was not available that indicates that the District has an outstanding obligation for any calculated deficits. See Note 14 for additional information regarding the pools.

Employee Medical Benefits

For fiscal year 2019, the district participated in the Self-Insured Schools of California III (SISC III), a public entity risk pool. The intent of SISC III is to achieve lower medical costs for member districts by virtue of its grouping and representation with other participants in SISC III.

Workers' Compensation

For fiscal year 2019, the District participated in the Santa Barbara Self-Insurance Program for Employees (SBSIPE). The intent of the SBSIPE is to achieve the benefit of reduced workers' compensation costs by virtue of its grouping and representation with other participants in the SBSIPE. The workers' compensation rate is common for all districts in the SBSIPE, with each member's experience used to calculate its actual applied rate. Participation in the SBSIPE is limited to districts that can meet the SBSIPE's selection criteria.

Property and Liability

For fiscal year 2019, the District participated in the Self-Insured Schools of California II (SISC II) for property and liability insurance coverage. Settled claims have not exceeded coverage limits in any of the past three years. There has not been a significant reduction in coverage from the prior year.

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 39,362,648	\$ 11,071,483	\$ 4,581,694	\$ 4,461,383
CalPERS	19,895,351	5,977,654	311,685	3,734,240
Total	\$ 59,257,999	\$ 17,049,137	\$ 4,893,379	\$ 8,195,623

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

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

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were \$3,911,950.

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 39,362,648
State's proportionate share of the net pension liability associated with the District	22,536,957
Total	<u>\$ 61,899,605</u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.0428 percent and 0.0433 percent, resulting in a net decrease in the proportionate share of 0.0005 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$4,461,383. In addition, the District recognized pension expense and revenue of \$2,647,584 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,911,950	\$ -
Net change in proportionate share of net pension liability	922,378	2,494,220
Differences between projected and actual earnings on pension plan investments	-	1,515,710
Differences between expected and actual experience in the measurement of the total pension liability	122,062	571,764
Changes of assumptions	6,115,093	-
Total	<u>\$ 11,071,483</u>	<u>\$ 4,581,694</u>

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 329,104
2021	(238,806)
2022	(1,271,623)
2023	(334,385)
Total	\$ (1,515,710)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 843,847
2021	843,847
2022	843,845
2023	616,904
2024	1,003,163
Thereafter	(58,057)
Total	\$ 4,093,549

Actuarial Methods and Assumptions

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

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 57,661,672
Current discount rate (7.10%)	39,362,648
1% increase (8.10%)	24,190,980

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

California Public Employees Retirement System (CalPERS)

Plan Description

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

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

Benefits Provided

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

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

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

GOLETA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were \$1,905,551.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$19,895,351. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.0746 percent and 0.0703 percent, resulting in a net increase in the proportionate share of 0.0043 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$3,734,240. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,905,551	\$ -
Net change in proportionate share of net pension liability	618,188	311,685
Difference between projected and actual earnings on pension plan investments	163,186	-
Differences between expected and actual experience in the measurement of the total pension liability	1,304,266	-
Changes of assumptions	1,986,463	-
Total	\$ 5,977,654	\$ 311,685

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

GOLETA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 593,545
2021	141,941
2022	(454,869)
2023	(117,431)
Total	<u>\$ 163,186</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,413,426
2021	1,548,142
2022	635,664
Total	<u>\$ 3,597,232</u>

Actuarial Methods and Assumptions

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

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

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 28,966,680
Current discount rate (7.15%)	19,895,351
1% increase (8.15%)	12,369,385

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,241,508 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves but have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

The District is not currently a party to any legal proceedings.

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

During the year ended June 30, 2019, the District made payments of \$249,583, \$4,713,855, and \$327,341, to SISC II, SISC III, and SIPE, respectively, for services received.



REQUIRED SUPPLEMENTARY INFORMATION

GOLETA UNION SCHOOL DISTRICT

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
REVENUES				
Local Control Funding Formula	\$ 42,442,213	\$ 43,757,952	\$ 43,818,321	\$ 60,369
Federal sources	1,347,348	1,355,342	1,434,098	78,756
Other State sources	1,923,245	3,926,986	6,486,045	2,559,059
Other local sources	3,156,830	4,751,734	4,842,569	90,835
Total Revenues ¹	48,869,636	53,792,014	56,581,033	2,789,019
EXPENDITURES				
Current				
Certificated salaries	24,090,683	24,820,380	24,615,050	205,330
Classified salaries	10,264,779	11,429,994	11,438,362	(8,368)
Employee benefits	9,336,558	11,501,985	13,562,200	(2,060,215)
Books and supplies	2,890,080	2,434,627	1,863,181	571,446
Services and operating expenditures	2,912,602	3,900,311	3,483,773	416,538
Other outgo	413,533	470,529	449,692	20,837
Capital outlay	158,500	158,500	87,140	71,360
Total Expenditures ¹	50,066,735	54,716,326	55,499,398	(783,072)
Excess (Deficiency) of Revenues Over Expenditures	(1,197,099)	(924,312)	1,081,635	2,005,947
Other Financing Uses				
Transfers out	(225,000)	(325,000)	(226,302)	98,698
NET CHANGE IN FUND BALANCES	(1,422,099)	(1,249,312)	855,333	2,104,645
Fund Balance - Beginning	12,348,597	12,348,597	12,348,597	-
Fund Balance - Ending	\$ 10,926,498	\$ 11,099,285	\$ 13,203,930	\$ 2,104,645

¹ On behalf payments of \$2,026,087 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

GOLETA UNION SCHOOL DISTRICT

**SPECIAL EDUCATION PASS-THROUGH FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
REVENUES				
Federal sources	\$ 13,191,351	\$ 13,502,920	\$ 1,767,044	\$ (11,735,876)
Other State sources	27,507,840	27,137,354	27,721,500	584,146
Other local sources	-	1,000	2,311	1,311
Total Revenues	40,699,191	40,641,274	29,490,855	(11,150,419)
EXPENDITURES				
Current				
Transfers to other entities	40,699,191	40,640,274	29,491,532	11,148,742
NET CHANGE IN FUND BALANCES	-	1,000	(677)	(1,677)
Fund Balance - Beginning	677	677	677	-
Fund Balance - Ending	\$ 677	\$ 1,677	\$ -	\$ (1,677)

See accompanying note to required supplementary information.

GOLETA UNION SCHOOL DISTRICT

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

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.0769%	0.0784%
District's proportionate share of the net OPEB liability	\$ 294,247	\$ 329,734
District's covered-employee payroll	N/A ¹	N/A ¹
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

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

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

See accompanying note to required supplementary information.

GOLETA UNION SCHOOL DISTRICT

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

	<u>2019</u>	<u>2018</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.0428%</u>	<u>0.0433%</u>
District's proportionate share of the net pension liability	\$ 39,362,648	\$ 40,035,990
State's proportionate share of the net pension liability associated with the District	<u>22,536,957</u>	<u>23,684,954</u>
Total	<u>\$ 61,899,605</u>	<u>\$ 63,720,944</u>
District's covered - employee payroll	<u>\$ 23,293,472</u>	<u>\$ 22,915,334</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>168.99%</u>	<u>174.71%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.0746%</u>	<u>0.0703%</u>
District's proportionate share of the net pension liability	<u>\$ 19,895,351</u>	<u>\$ 16,776,727</u>
District's covered - employee payroll	<u>\$ 9,847,724</u>	<u>\$ 8,961,362</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>202.03%</u>	<u>187.21%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>

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

See accompanying note to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.0450%</u>	<u>0.0480%</u>	<u>0.0450%</u>
<u>\$ 36,394,148</u>	<u>\$ 32,285,352</u>	<u>\$ 25,671,298</u>
<u>20,718,539</u>	<u>17,075,415</u>	<u>14,119,214</u>
<u>\$ 57,112,687</u>	<u>\$ 49,360,767</u>	<u>\$ 39,790,512</u>
<u>\$ 22,501,920</u>	<u>\$ 21,723,547</u>	<u>\$ 19,972,752</u>
<u>161.74%</u>	<u>148.62%</u>	<u>128.53%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.0716%</u>	<u>0.0774%</u>	<u>0.0774%</u>
<u>\$ 14,141,619</u>	<u>\$ 11,403,925</u>	<u>\$ 8,793,441</u>
<u>\$ 8,579,345</u>	<u>\$ 8,607,968</u>	<u>\$ 8,080,065</u>
<u>164.83%</u>	<u>132.48%</u>	<u>108.83%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

GOLETA UNION SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
CalSTRS		
Contractually required contribution	\$ 3,911,950	\$ 3,361,248
Contributions in relation to the contractually required contribution	<u>3,911,950</u>	<u>3,361,248</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 24,029,177</u>	<u>\$ 23,293,472</u>
Contributions as a percentage of covered - employee payroll	<u>16.28%</u>	<u>14.43%</u>
CalPERS		
Contractually required contribution	\$ 1,905,551	\$ 1,529,450
Contributions in relation to the contractually required contribution	<u>1,905,551</u>	<u>1,529,450</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 10,550,055</u>	<u>\$ 9,847,724</u>
Contributions as a percentage of covered - employee payroll	<u>18.062%</u>	<u>15.531%</u>

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

See accompanying note to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 2,882,749	\$ 2,414,456	\$ 1,929,051
<u>2,882,749</u>	<u>2,414,456</u>	<u>1,929,051</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 22,915,334	\$ 22,501,920	\$ 21,723,547
<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
\$ 1,244,554	\$ 1,016,395	\$ 1,013,244
<u>1,244,554</u>	<u>1,016,395</u>	<u>1,013,244</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,961,362	\$ 8,579,345	\$ 8,607,969
<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

GOLETA UNION SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedules

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

These schedules present information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

At June 30, 2019, the District major funds exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual*	Excess
General Fund	\$ 55,041,326	\$ 55,725,700	\$ 684,374

* On behalf payments of \$2,026,087 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

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

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

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

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

GOLETA UNION SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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

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

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

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

Schedule of District Contributions

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



SUPPLEMENTARY INFORMATION

GOLETA UNION SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures	Passed Through to Sub-Recipients
U.S. DEPARTMENT OF EDUCATION				
Passed through California Department of Education (CDE):				
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	\$ 396,734	\$ -
Title II, Part A - Supporting Effective Instruction	84.367	14341	78,950	-
Title III - Immigrant Student Program	84.365	15146	7,628	-
Title III - English Learner Student Program	84.365	14346	96,908	-
Title IV, Part A - Student Support and Academic Enrichment Program	84.424	15396	26,869	-
Special Education (IDEA) Cluster:				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	709,209	-
Preschool Grants, Part B, Section 619	84.173	13430	459,188	411,388
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	1,401,019	1,331,262
Preschool Staff Development, Part B, Sec 619	84.173A	13431	3,297	3,297
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	21,097	21,097
Subtotal Special Education (IDEA) Cluster			<u>2,593,810</u>	<u>1,767,044</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through California Department of Health Services:				
Medicaid Cluster				
Medi-Cal Billing Option	93.778	10013	111,745	-
Subtotal Medicaid Cluster			<u>111,745</u>	<u>-</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed through CDE:				
Child Nutrition Cluster:				
Especially Needy Breakfast Program	10.553	13526	136,557	-
Basic Breakfast Program	10.553	13525	7,879	-
National School Lunch Program	10.555	13396	674,718	-
Commodities	10.555	13396	121,519	-
Seamless Summer Feeding Program, Operating	10.559	13004	12,420	-
Seamless Summer Feeding Program, Administration	10.559	13006	8,738	-
Meal Supplements	10.556	13392	38,436	-
Subtotal Child Nutrition Cluster			<u>1,000,267</u>	<u>-</u>
Passed through CDE:				
Child & Adult Care Food Program	10.558	13393	7,392	-
Child Nutrition: NSLP Equipment Assistance	10.579	14906	1,774	-
Child Nutrition: Fresh Fruit and Vegetable Program	10.582	14968	11,450	-
Forest Service Schools and Roads Cluster:				
Forest Reserve	10.665	10044	243	-
Subtotal Forest Service Schools and Roads Cluster			<u>243</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>1,021,126</u>	<u>-</u>
Total Federal Programs			<u>\$ 4,333,770</u>	<u>\$ 1,767,044</u>

See accompanying note to supplementary information.

GOLETA UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

ORGANIZATION

The Goleta Union School District was established in 1925. The District operates nine elementary schools. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. Richard E. Mayer	President	2022
Sholeh Jahangir	Vice President	2020
Susan Epstein	Clerk	2020
Carin Ezal	Member	2022
Luz Reyes-Martin	Member	2022

ADMINISTRATION

Dr. Donna S. Lewis	Superintendent
Dr. Margaret A. Saleh	Deputy Superintendent, Pupil Services
Dr. Mary Kahn	Assistant Superintendent, Instructional Services
David Simmons	Assistant Superintendent, Human Resources
Conrad Tedeschi	Assistant Superintendent, Fiscal Services

See accompanying note to supplementary information.

GOLETA UNION SCHOOL DISTRICT

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

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,977.19	1,977.90
Fourth through sixth	1,455.15	1,455.27
Total Regular ADA	<u>3,432.34</u>	<u>3,433.17</u>
Extended Year Special Education		
Transitional kindergarten through third	1.29	1.29
Fourth through sixth	0.74	0.84
Total Extended Year Special Education	<u>2.03</u>	<u>2.13</u>
Total ADA	<u>3,434.37</u>	<u>3,435.30</u>

See accompanying note to supplementary information.

GOLETA UNION SCHOOL DISTRICT

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

Grade Level	1986-87	2018-19	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	47,955	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,585	180	N/A	Complied
Grade 2		54,585	180	N/A	Complied
Grade 3		54,585	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		55,950	180	N/A	Complied
Grade 5		55,950	180	N/A	Complied
Grade 6		55,950	180	N/A	Complied

See accompanying note to supplementary information.

GOLETA UNION SCHOOL DISTRICT

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

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

See accompanying note to supplementary information.

GOLETA UNION SCHOOL DISTRICT

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

	(Budget) 2020 ¹	2019	2018	2017
GENERAL FUND				
Revenues	\$ 54,685,895	\$ 56,581,033	\$ 51,083,026	\$ 48,223,772
Expenditures	56,212,797	55,499,398	50,924,671	47,612,049
Other uses and transfers out	325,000	226,302	232,188	772,000
Total Expenditures and Other Uses	56,537,797	55,725,700	51,156,859	48,384,049
INCREASE (DECREASE) IN FUND BALANCE	\$ (1,851,902)	\$ 855,333	\$ (73,833)	\$ (160,277)
ENDING FUND BALANCE	\$ 11,352,028	\$ 13,203,930	\$ 12,348,597	\$ 12,422,430
AVAILABLE RESERVES ²	\$ 10,207,701	\$ 10,554,365	\$ 9,927,846	\$ 8,554,688
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	18.05%	19.65%	19.41%	17.68%
LONG-TERM OBLIGATIONS	N/A	\$ 14,311,406	\$ 15,568,517	\$ 16,671,588
K-12 AVERAGE DAILY ATTENDANCE AT P-2	3,483	3,434	3,402	3,433

The General Fund balance has increased by \$781,500 over the past two years. The fiscal year 2019-2020 budget projects a decrease of \$1,851,902 (14.0 percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have decreased by \$2,360,182 over the past two years.

Average daily attendance has increased by one over the past two years. An increase of 49 ADA is anticipated during fiscal year 2019-2020.

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

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ On behalf payments of \$2,026,087 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

GOLETA UNION SCHOOL DISTRICT

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

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
ASSETS					
Deposits and investments	\$ 929	\$ 251,751	\$ 1,367,272	\$ 2,029,220	\$ 3,649,172
Receivables	37,232	142,516	7,049	7,658	194,455
Stores inventories	-	8,697	-	-	8,697
Total Assets	\$ 38,161	\$ 402,964	\$ 1,374,321	\$ 2,036,878	\$ 3,852,324
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 6,436	\$ 7,490	\$ 22,661	\$ -	\$ 36,587
Due to other funds	26,139	-	-	-	26,139
Unearned revenue	5,586	43,091	-	-	48,677
Total Liabilities	38,161	50,581	22,661	-	111,403
Fund Balances:					
Nonspendable	-	9,197	-	-	9,197
Restricted	-	343,186	-	2,036,878	2,380,064
Assigned	-	-	1,351,660	-	1,351,660
Total Fund Balances	-	352,383	1,351,660	2,036,878	3,740,921
Total Liabilities and Fund Balances	\$ 38,161	\$ 402,964	\$ 1,374,321	\$ 2,036,878	\$ 3,852,324

See accompanying note to supplementary information.

GOLETA UNION SCHOOL DISTRICT

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

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
REVENUES					
Federal sources	\$ -	\$ 1,050,753	\$ -	\$ -	\$ 1,050,753
Other State sources	416,704	258,506	-	6,167	681,377
Other local sources	17,578	668,901	24,984	1,639,622	2,351,085
Total Revenues	434,282	1,978,160	24,984	1,645,789	4,083,215
EXPENDITURES					
Current					
Pupil services:					
Food services	19,364	1,858,285	-	-	1,877,649
Administration:					
All other administration	11,139	-	-	-	11,139
Plant services	-	-	355,282	-	355,282
Community services	403,779	-	-	-	403,779
construction	-	-	6,555	-	6,555
Debt service					
Principal	-	-	-	1,030,000	1,030,000
Interest and other	-	-	-	603,326	603,326
Total Expenditures	434,282	1,858,285	361,837	1,633,326	4,287,730
Excess (Deficiency) of Revenues of Over Expenditures	-	119,875	(336,853)	12,463	(204,515)
Other Financing Sources					
Transfers in	-	1,302	225,000	-	226,302
NET CHANGE IN FUND BALANCES	-	121,177	(111,853)	12,463	21,787
Fund Balance - Beginning	-	231,206	1,463,513	2,024,415	3,719,134
Fund Balance - Ending	\$ -	\$ 352,383	\$ 1,351,660	\$ 2,036,878	\$ 3,740,921

See accompanying note to supplementary information.

GOLETA UNION SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, Child and Adult Care Food program funds that have been recorded in the current period as revenues have not been expended as of June 30, 2019. These unspent balances are reported as legally restricted ending balances within the Cafeteria Fund.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 4,251,895
Medi-Cal Billing Option	93.778	111,745
Child and Adult Care Food Program	10.558	(29,870)
Total Schedule of Expenditures of Federal Awards		<u>\$ 4,333,770</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

GOLETA UNION SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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



INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Goleta Union School District
Goleta, 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 Goleta Union School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Goleta Union School District's basic financial statements, and have issued our report thereon dated December 18, 2019.

Internal Control over Financial Reporting

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

We noted certain matters that we reported to management of Goleta Union School District in a separate letter dated December 18, 2019.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 18, 2019



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

Governing Board
Goleta Union School District
Goleta, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Goleta Union 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 Goleta Union 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 Goleta Union School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of Goleta Union 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 Goleta Union 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 Goleta Union School District's internal control over compliance.

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

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

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



Rancho Cucamonga, California
December 18, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Goleta Union School District
Goleta, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Goleta Union School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Goleta Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Goleta Union School District's compliance with those requirements.

Basis for Qualified Opinion on After School Education and Safety Program

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

Qualified Opinion on After School Education and Safety Program

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

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

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

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

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

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

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

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

The District does not offer a Middle or Early College High School; therefore, we did not perform any procedures related to the Middle or Early College High School Program.

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

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

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

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Eide Bailly LLP

Rancho Cucamonga, California
December 18, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GOLETA UNION SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173, and 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 auditor's report issued on compliance for State programs:	<u>Qualified</u>
Unmodified for all programs except for the following program which was qualified:	
	<u>Name of Program(s)</u>
	<u>After School Education and Safety</u>

GOLETA UNION SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

GOLETA UNION SCHOOL DISTRICT

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

None reported

GOLETA UNION SCHOOL DISTRICT

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

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

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance

2019-001 40000 – After School Education and Safety

Criteria or Specific Requirements

According to *Education Code* Section 8483(a)(2), elementary school pupils are to participate in the full day of the after-school program every day during which pupils participate, except as consistent with the established early release policy. In addition, adequate documentation that supports student attendance must be maintained for each site that offers the program.

According to *Education Code* Section 8483.1(a)(2)(A), elementary school pupil should participate in the full day of the before school program every day during which pupils participate, except when arriving later in accordance with the established late arrival policy or as reasonably necessary. A pupil who attends less than one-half of the daily program hours shall not be counted for the purposes of attendance.

Condition

Documentation supporting the number of students served does not agree with the amounts reported on the semi-annual report for the after-school program at La Patera Elementary School and the before-school program at Isla Vista Elementary School for the month of November 2018.

Variances were a result of a lack of documentation for the reason for early sign out, sign-out time missing, and human error.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with the condition.

Context

The condition identified was determined through a review of attendance records from the after-school program at La Patera Elementary School and the before-school program at Isla Vista Elementary. Manual sign in/sign-out rosters were reviewed for each child's sign-out/sign-in time for the first semiannual reporting period. The auditor then compared the manual rosters to the summaries used to report the number of students served.

GOLETA UNION SCHOOL DISTRICT

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

Effect

There is not sufficient documentation to support the number of students served as reported to the California Department of Education.

Cause

It appears that the condition identified has materialized as a result of the District including students in the attendance count who did not have documentation for early release or late arrival, as applicable, in accordance with the District's policy.

Recommendation

The District should ensure adequate review of the attendance reports prior to submission to the California Department of Education. The District should ensure that early release and/or late arrival documentation is on file for all students who leave early or arrive late. In the event that students do not have a documented reason for early release or late arrival, the District should not include those students in their count of students served when summarizing attendance information on the semi-annual report.

Corrective Action Plan

Attendance in all programs is a critical recordkeeping process. The District has implemented a process that provides an additional level of review of attendance reports for the ASES program by administrative staff at the District Office. Communication will also be made to ASES staff responsible for recording attendance and monitoring sign in and sign out sheets, reiterating the fact that any student dropped off late in the morning, after 6:45 am, or picked up early in the afternoon/evening, prior to 5:45 pm, must have a valid reason documented on the attendance sheet for each instance

GOLETA UNION SCHOOL DISTRICT

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

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

State Awards Findings

2018-001 Code 40000

After/Before School Education and Safety Program

Criteria or Specific Requirements

According to *Education Code* Section 8483(a)(2), elementary school pupils are to participate in the full day of the after-school program every day during which pupils participate, except as consistent with the established early release policy. In addition, adequate documentation that supports student attendance must be maintained for each site that offers the program.

According to *Education Code* Section 8483.1(a)(2)(A), elementary school pupil should participate in the full day of the before school program every day during which pupils participate, except when arriving later in accordance with the established late arrival policy or as reasonably necessary. A pupil who attends less than one-half of the daily program hours shall not be counted for the purposes of attendance.

Condition

Documentation supporting the number of students served does not agree with the amounts reported on the semi-annual report. The District maintains sign-in/sign-out sheets (rosters) for students in order to track attendance. The auditor tested the after-school program at El Camino Elementary School and the before-school program at Isla Vista Elementary School for the month of October 2017.

For the after-school program, the auditor counted each student on the sign-out sheet who was signed out at or after 6 p.m. and each student who left early and had a documented reason on file for his or her early release. According to the worksheet used to prepare the 2017-2018 First Half Attendance Report, El Camino Elementary School had 411 student attendance days for the month, but the auditor's count per the criteria described above yielded 231 student attendance days, resulting in a difference of 180 days.

For the before-school program, the auditor counted each student on the sign-in sheet who was signed in at or before 7 a.m. and each student who arrived late and had a documented reason on file for his or her late arrival. According to the worksheet used to prepare the 2017-2018 First Half Attendance Report, Isla Vista Elementary School had 93 student attendance days for the month, but the auditor's count per the criteria described above yielded 53 student attendance days, resulting in a difference of 40 days.

Variances were a result of a lack of documentation for the reason for early sign-out, sign-out time missing, and human error.

GOLETA UNION SCHOOL DISTRICT

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

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with the condition. However, the number of students served appears to be overstated by 180 in the after-school program at El Camino Elementary School and by 40 in the before-school program at Isla Vista Elementary School for the month of October 2017.

Context

The condition identified was determined through a review of attendance records from the after-school program at El Camino Elementary School and the before-school program at Isla Vista Elementary. Manual sign-in/sign-out rosters were reviewed for each child's sign-out/sign-in time for the first semi-annual reporting period. The auditor then compared the manual rosters to the summaries used to report the number of students served and noted a difference of 180 for El Camino Elementary School and 40 for Isla Vista Elementary School.

Effect

There is not sufficient documentation to support the number of students served as reported to the California Department of Education. It appears that the District overstated the number of student attendance days by 180 for the after-school program at El Camino Elementary School and by 40 for the before-school program at Isla Vista Elementary School for the first semi-annual period.

Cause

It appears that the condition identified has materialized as a result of the District including students in the attendance count who did not have documentation for early release or late arrival, as applicable, in accordance with the District's policy.

Recommendation

The District should ensure that site staff and parents of participants understand the early sign-out and late sign-in procedures and requirements for the program.

In addition, staff should perform adequate review of the attendance reports prior to submission to the California Department of Education. The District should ensure that early release and/or late arrival documentation is on file for all students who leave early or arrive late. In the event that students do not have a documented reason for early release or late arrival, the District should not include those students in their count of students served when summarizing attendance information on the semi-annual report.

Current Status

Not Implemented - see finding 2019-001.



Management
Goleta Union School District
Goleta, California

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

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 18, 2019, on the government-wide financial statements of the District.

Cafeteria Revolving Account

Observation

The Cafeteria revolving fund has not been reconciled to the full imprest amount at the end of each month.

Recommendation

In order to ensure proper internal controls over the Cafeteria revolving fund, the District should ensure that the account is reconciled to its full imprest balance at the close of each month. This would allow the reviewing administrator to ensure that entire fund is accounted for and that only authorized transactions take place in the account.

School Site Bank Accounts

Observations

Seven schools have maintained one or more bank accounts intended to hold funds collected for after-school enrichment programs and outdoor school trips and to pay for those activities. There are no controls in place to ensure that all funds collected are deposited to the accounts. Upon request, the sites were not able to provide financial statements of the accounts' activity for the year.

One site was selected for a review of activity. We noted the following:

1. One of two disbursements reviewed did not have receiving documentation evidencing physical custody of the items.
2. Controls do not exist over the receipting and depositing of cash. Three of five cash receipts tested were not deposited in a timely manner. The delays in deposit ranged from 16 to 19 days from the date of receipt.
3. Revenue potential forms are not being used to document and control fundraising activities as they occur.

Recommendations

Due to the specific purpose for the accounts, i.e., to collect and disburse funds for after-school enrichment and annual trips, we recommend that the bank accounts be closed, and that the activity be accounted for at the District Office. This would allow for management oversight of the accounts, including proper accounting for the activity, timely deposits of the funds collected and approvals in advance of expenditures.

As part of the transition, District staff should establish procedures for the sites regarding the use of triplicate receipts, frequency of deposits, disbursement requests and approvals, and the tracking of all receipts. If a site conducts a fundraiser, the site staff should complete a revenue potential or sales analysis form. Such a document allows staff to determine the profitability of a fundraiser and to ensure that all proceeds and inventory are accounted for.

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 18, 2019