



**GOLETA UNION
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

GOLETA UNION SCHOOL DISTRICT

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 *2016-2017 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 District'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 District'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, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 16 to the financial statements, certain items in the prior year net position and fund balance have been restated to more accurately reflect the substance of the underlying transactions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, budgetary comparison schedules on pages 63 through 64, schedule of the District's proportionate share of net pension liability on page 65, and the schedule of District contributions on page 66, 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 nonmajor 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 Schedule of Expenditures of Federal Awards and other 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 15, 2017, 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.

VAUZNER, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
December 15, 2017



Goleta Union School District

Board of Trustees
Luz Reyes-Martin, President,
Carin Ezal, Vice-President
Richard Mayer, Clerk
Susan Epstein, Member
Sholeh Jahangir, Member

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, 2017 with comparative information for the year ended June 30, 2016. 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 regards 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, 2017

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, 2017

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, 2017

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 \$48,212,204, with \$6,286,539 coming from restricted resources. Total expenditures in the District General Fund were \$47,581,277, with \$13,165,039 in restricted programs. The favorable financial position at year-end allowed for a \$475,000 transfer to the District's Deferred Maintenance Fund.

The District's fiscal year operations in the General Fund drew down \$141,073 on fund balance reserves. This is a significant improvement over the original amount of deficit spending projected in the Original 2016-2017 Budget of \$2.9 million. General Fund Reserves at the end of the 2016-2017 fiscal year totaled \$12,422,431, of which \$1,451,419 is the required three percent Reserve for Economic Uncertainties, and assignments of \$2,931,883. Assignments include \$1,418,773 of Education Protection Account (EPA) funds used for the upcoming Wonders ELA adoption and \$1,513,110 of one-time mandate reimbursement funds for future use. The remaining available fund balance represents a reserve of 17.68 percent at the end of 2016-2017.

Property Taxes

Property tax revenue growth for GUSD's General Fund reached close to five percent by the end of the 2016-2017 fiscal year. The original budget did not include any growth for property taxes, as we did not know the impact from the oil mineral and gas (OMG) and overall growth in assessed values in Goleta, but then revised the estimate up to three percent at first interim once we received preliminary projections. The additional unanticipated growth is largely due to increased amounts received from redevelopment agencies, as the final distribution is in June. The total amount of the growth reached \$1,605,546, which was the biggest factor in the reduction of General Fund deficit spending for 2016-2017. Projections of property tax revenue growth in the future years are three percent from one year to the next.

One-Time Funding

The 2016-2017 state budget again included one-time funds for the reimbursement of outstanding mandate claims. The original budgeted amount for 2016-2017 was \$849,000, and the amount received was \$861,059, a difference of \$12,059. The new total of one-time money assigned in the General Fund at the end of 2016-2017 is \$1,513,110. We project to receive approximately \$500,000 of additional one-time money in 2017-18. GUSD Administration will develop a plan to spend the funds and bring it to the board for prioritization and approval at a future meeting.

Enrollment

Final certified enrollment figures for the Goleta Union School District for the 2016-2017 school year, as reported in the California Longitudinal Pupil Achievement System (CALPADS) was 3,571 total students, which is down 112 from the prior year. The District's total unduplicated pupil count of Free and Reduced Meal eligible students and English Language Learners is 1,661 students, which represents 47 percent of the population.

GOLETA UNION SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$(14,635,157) for the fiscal year ended June 30, 2017. Of this amount, \$(30,518,794) 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	
	2017	2016 as restated
Assets		
Current and other assets	\$ 33,778,135	\$ 24,735,393
Capital assets	25,131,015	26,328,733
Total Assets	58,909,150	51,064,126
Deferred Outflows of Resources	12,330,633	6,981,148
Liabilities		
Current liabilities	15,199,107	7,526,519
Long-term obligations	16,297,052	16,244,778
Aggregate net pension liability	50,535,767	43,689,277
Total Liabilities	82,031,926	67,460,574
Deferred Inflows of Resources	3,843,014	4,262,004
Net Position		
Net investment in capital assets	10,082,793	10,275,935
Restricted	5,800,844	4,396,885
Unrestricted (deficit)	(30,518,794)	(28,350,124)
Total Net Position	\$ (14,635,157)	\$ (13,677,304)

The \$(30,518,794) in unrestricted net position of all governmental activities represents the accumulated results of all past years' operations. Unrestricted net position decreased by 7.6 percent \$(30,518,794) compared to \$(28,350,124). The increase in Net Position is largely due to the unanticipated restricted revenues received in the form of School Developer Fees in the Capital Facilities fund of \$1,036,782. These additional funds will be appropriated for school site modernization projects.

GOLETA UNION SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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	
	2017	2016
Revenues		
Program revenues:		
Charges for services	\$ 510,359	\$ 519,854
Operating grants and contributions	19,417,875	19,616,962
General revenues:		
Federal and State aid not restricted	4,391,159	6,983,124
Property taxes	37,810,338	36,230,342
Other general revenues	8,298,442	2,441,606
Total Revenues	70,428,173	65,791,888
Expenses		
Instruction-related	39,187,175	36,164,977
Pupil services	4,828,634	4,435,135
Administration	2,888,147	2,662,050
Plant services	4,739,193	4,223,284
Other	18,677,025	17,427,236
Total Expenses	70,320,174	64,912,682
Change in Net Position	\$ 107,999	\$ 879,206

GOLETA UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was \$70,320,174. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$37,810,338 because the cost was paid by those who benefited from the programs \$(510,359) or by other governments and organizations who subsidized certain programs with grants and contributions \$(19,417,875). We paid for the remaining "public benefit" portion of our governmental activities with \$12,689,601 in Federal and State funds and other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions – instruction and instruction-related activities, pupil services, administration, plant services, and all other functions. 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	
	2017	2016
Instruction	\$ 29,299,492	\$ 28,944,448
Instruction-related activities	4,576,677	4,243,148
Pupil services	2,977,441	2,616,030
Administration	2,805,014	2,673,911
Plant services	4,627,150	4,223,284
All other	6,106,166	2,075,045
Total	\$ 50,391,940	\$ 44,775,866

Increases to the Net Cost of Services across functions is partially due to the negotiated salary increases for 2016-2017 that also increase related benefit accounts. The increase in all other costs of a little over \$4 million is due to an increase in other outgoing costs resulting from a change in accounting in the Special Education Pass-Through Fund.

GOLETA UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$18,771,507, which is an increase of \$1,340,117 from last year. (Table 4)

Table 4

	Balances and Activity			
	July 1, 2016	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2017
General Fund	\$ 12,582,707	\$ 48,223,772	\$ 48,384,049	\$ 12,422,430
Special Education				
Pass-Through Fund	-	16,869,417	16,869,417	-
Child Development Fund	-	281,956	281,956	-
Cafeteria Fund	67,930	1,879,498	1,657,379	290,049
Deferred Maintenance	944,638	480,277	147,699	1,277,216
Capital Facilities	1,649,285	1,036,782	62,915	2,623,152
Bond Interest and Redemption	2,186,830	1,626,215	1,654,385	2,158,660
Total	\$ 17,431,390	\$ 70,397,917	\$ 69,057,800	\$ 18,771,507

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased \$160,277 to \$ 12,422,430. This small decrease is due to planned deficit spending down of one-time discretionary revenues received from the State.
- b. Our Cafeteria Fund increased \$222,117 to \$290,049 due to a transfer from the General Fund to eliminate prior temporary cash flow loans that are not to be repaid by the Cafeteria Fund.
- c. Our Deferred Maintenance Fund increased \$332,578 to \$1,277,216 due to the Board of Trustees approval an additional contribution from the General Fund from one-time discretionary revenues received from the State. These funds are assigned and to be used for future District facilities maintenance projects.
- d. Our Capital Facilities Fund increased \$973,867 to \$2,623,152 due to the large amount of School Developer Fee Revenue from new real estate developments in the Goleta Area.

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 30, 2017. (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 63).

GOLETA UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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 2016-2017 Budget for Local Control Funding Formula revenues were due to increases in actual property taxes received. Original estimates were very conservative. 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.
- 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 by \$388,084 partially due to the collective bargaining settlement reached during 2016-2017 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 large amounts of unspent allocations of school sites, and one time discretionary dollars not spent by the end of the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had \$25,131,015 in a broad range of capital assets, including land and construction in process, land improvements, buildings and improvements, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$1,197,718, from last year (Table 5).

Table 5

	Governmental Activities	
	2017	2016
Land and construction in process	\$ 1,437,060	\$ 1,437,060
Land improvements	946,789	1,108,714
Buildings and improvements	22,132,429	22,955,513
Furniture and equipment	614,737	827,446
Total	\$ 25,131,015	\$ 26,328,733

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

GOLETA UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

Long-Term Obligations

At the end of this year, the District had \$16,297,052 in long-term obligations outstanding versus \$17,328,354 last year, a decrease of 6.0 percent. Those obligations consisted of:

Table 6

	Governmental Activities	
	2017	2016
General obligation bonds - net (financed with property taxes)	\$ 16,009,604	\$ 17,093,180
Accumulated vacation - net	287,448	235,174
Total	\$ 16,297,052	\$ 17,328,354

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 had a net pension liability of \$50,535,767, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2016-2017 ARE NOTED BELOW:

The Goleta Union School District successfully implemented the classroom technology plan by providing all students in grades three through six with a Chromebook. The goal was 1:1 Chromebooks in those grades and with the help of one time funding from the State; we were able to accomplish that goal. We will continue to maintain that level of technology and will look to accomplish a ratio of 2:1 iPads for grades TK-2 during the next school year.

GOLETA UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2017-2018 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. **BASIC AID DISTRICT:** Property tax revenues were projected to increase by three 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 caused us to increase that projection to \$600,000.
3. Federal income will decrease slightly due to the decreased population of qualified students.
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 an ELA curriculum adoption of \$1.4 million paid for out of Assigned Fund Balance from prior year EPA funds.

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, 2017**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 27,083,109
Receivables	6,614,955
Prepaid expenses	200
Stores inventories	79,871
Capital Assets	
Land and construction in process	1,437,060
Other capital assets	49,202,318
Less: Accumulated depreciation	(25,508,363)
Total Capital Assets	<u>25,131,015</u>
Total Assets	<u>58,909,150</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	961,382
Deferred outflows of resources related to pensions	11,369,251
Total Deferred Outflows of Resources	<u>12,330,633</u>
LIABILITIES	
Overdrafts	9,550
Accounts payable	14,887,851
Accrued interest payable	272,479
Unearned revenue	29,227
Long-term obligations:	
Current portion of long-term obligations other than pensions	1,025,000
Noncurrent portion of long-term obligations other than pensions	15,272,052
Total Long-Term Obligations	<u>16,297,052</u>
Aggregate net pension liability	<u>50,535,767</u>
Total Liabilities	<u>82,031,926</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>3,843,014</u>
NET POSITION	
Net investment in capital assets	10,082,793
Restricted for:	
Debt service	1,886,181
Capital projects	2,623,152
Educational programs	930,659
Other activities	360,852
Unrestricted (deficit)	(30,518,794)
Total Net Position	<u>\$ (14,635,157)</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, 2017**

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	\$ 34,360,922	\$ -	\$ 5,061,430	\$ (29,299,492)
Instruction-related activities:				
Supervision of instruction	1,029,710	-	128,207	(901,503)
Instructional library, media, and technology	406,835	-	2,361	(404,474)
School site administration	3,389,708	-	119,008	(3,270,700)
Pupil services:				
Home-to-school transportation	1,073,619	-	-	(1,073,619)
Food services	1,690,751	510,359	990,114	(190,278)
All other pupil services	2,064,264	-	350,720	(1,713,544)
Administration:				
Data processing	12,315	-	-	(12,315)
All other administration	2,875,832	-	83,133	(2,792,699)
Plant services	4,739,193	-	112,043	(4,627,150)
Community services	398,112	-	-	(398,112)
Interest on long-term obligations	637,496	-	266,357	(371,139)
Other outgo	17,641,417	-	12,304,502	(5,336,915)
Total Governmental Activities	\$ 70,320,174	\$ 510,359	\$ 19,417,875	(50,391,940)
General revenues and subventions:				
				36,196,131
Property taxes, levied for general purposes				1,614,207
Property taxes, levied for debt service				4,391,159
Federal and State aid not restricted to specific purposes				113,138
Interest and investment earnings				8,185,304
Miscellaneous				<u>50,499,939</u>
			Subtotal, General Revenues	<u>107,999</u>
			Change in Net Position	<u>(14,743,156)</u>
			Net Position - Beginning, as restated	<u>\$ (14,635,157)</u>
			Net Position - Ending	<u><u>(14,635,157)</u></u>

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

GOLETA UNION SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

	General Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 11,406,575	\$ 9,286,912	\$ 6,323,645	\$ 27,017,132
Receivables	1,583,071	4,969,790	62,094	6,614,955
Due from other funds	4,523	-	-	4,523
Prepaid expenditures	200	-	-	200
Stores inventories	-	-	8,697	8,697
Total Assets	\$ 12,994,369	\$ 14,256,702	\$ 6,394,436	\$ 33,645,507
LIABILITIES AND FUND BALANCES				
Liabilities:				
Overdrafts	\$ -	\$ -	\$ 9,550	\$ 9,550
Accounts payable	542,712	14,256,702	35,809	14,835,223
Unearned revenue	29,227	-	-	29,227
Total Liabilities	571,939	14,256,702	45,359	14,874,000
Fund Balances:				
Nonspendable	5,200	-	9,197	14,397
Restricted	930,659	-	5,062,664	5,993,323
Assigned	2,931,883	-	1,277,216	4,209,099
Unassigned	8,554,688	-	-	8,554,688
Total Fund Balances	12,422,430	-	6,349,077	18,771,507
Total Liabilities and Fund Balances	\$ 12,994,369	\$ 14,256,702	\$ 6,394,436	\$ 33,645,507

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, 2017**

Total Fund Balance - Governmental Funds	\$ 18,771,507
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	\$ 50,639,378
Accumulated depreciation is	<u>(25,508,363)</u>
Net Capital Assets	25,131,015
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 greater) are included in the government-wide statements.	961,382
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.	(272,479)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	80,000
Deferred outflow of resources related to pensions 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	4,127,303
Net change in proportionate share of net pension liability	1,546,081
Difference between projected and actual earnings on pension plan investments	5,087,642
Differences between expected and actual experience in the measurement of the total pension liability	<u>608,225</u>
Total Deferred Outflows of Resources related to Pensions	11,369,251
Deferred inflows of resources related to pensions represent an acquitision 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	(2,530,349)
Differences between expected and actual experience in the measurement of the total pension liability	(887,794)
Changes in assumptions	<u>(424,871)</u>
Total Deferred Inflows of Resources related to Pensions	(3,843,014)

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, 2017**

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		\$ (50,535,767)
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:		
Bonds payable	\$ (14,810,000)	
Unamortized premium	(1,199,604)	
Compensated absences (vacations)	(287,448)	
Total Long-Term Obligations		<u>(16,297,052)</u>
Total Net Position - Governmental Activities		<u>\$ (14,635,157)</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, 2017**

	General Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	\$ 39,184,621	\$ -	\$ -	\$ 39,184,621
Federal sources	1,459,394	12,616,533	1,003,155	15,079,082
Other State sources	5,295,859	4,251,866	354,930	9,902,655
Other local sources	2,283,898	1,018	3,174,643	5,459,559
Total Revenues	48,223,772	16,869,417	4,532,728	69,625,917
EXPENDITURES				
Current				
Instruction	32,781,774	-	-	32,781,774
Instruction-related activities:				
Supervision of instruction	921,193	-	-	921,193
Instructional library, media, and technology	398,419	-	-	398,419
School site administration	3,244,902	-	-	3,244,902
Pupil services:				
Home-to-school transportation	1,026,563	-	-	1,026,563
Food services	23,342	-	1,657,379	1,680,721
All other pupil services	1,994,629	-	-	1,994,629
Administration:				
All other administration	2,746,496	-	15,599	2,762,095
Plant services	4,346,356	-	-	4,346,356
Facility acquisition and construction	4,602	-	210,614	215,216
Community services	123,773	-	266,357	390,130
Other outgo	-	16,869,417	-	16,869,417
Debt service				
Principal	-	-	985,000	985,000
Interest and other	-	-	669,385	669,385
Total Expenditures	47,612,049	16,869,417	3,804,334	68,285,800
Excess of Revenues Over Expenditures	611,723	-	728,394	1,340,117
Other Financing Sources (Uses)				
Transfers in	-	-	772,000	772,000
Transfers out	(772,000)	-	-	(772,000)
Net Financing Sources (Uses)	(772,000)	-	772,000	-
NET CHANGE IN FUND BALANCES	(160,277)	-	1,500,394	1,340,117
Fund Balance - Beginning	12,582,707	-	4,848,683	17,431,390
Fund Balance - Ending	\$ 12,422,430	\$ -	\$ 6,349,077	\$ 18,771,507

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

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, 2017

Total Net Change in Fund Balances - Governmental Funds **\$ 1,340,117**

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which depreciation exceeds capital outlays in the period:

Depreciation expense	\$ (1,233,918)	
Capital outlays	36,200	
Net Expense Adjustment		(1,197,718)

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 more than the amounts used by \$52,274. (52,274)

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. (999,015)

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:

General obligation bonds 985,000

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

Amortization of debt premium	98,576	
Amortization of deferred amount on refunding	(79,000)	
Combined Adjustment		19,576

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

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, 2017

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. Accrued interest on the general obligation bonds decreased by \$12,313.

	\$ 12,313
Change in Net Position of Governmental Activities	\$ 107,999

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

GOLETA UNION SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 65,977
Stores inventories	71,174
Total Current Assets	<u>137,151</u>
LIABILITIES	
Current Liabilities	
Accounts payable	52,628
Due to other funds	4,523
Total Current Liabilities	<u>57,151</u>
NET POSITION	
Restricted	80,000
Total Net Position	<u><u>\$ 80,000</u></u>

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

GOLETA UNION SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Sales	\$ 289,960
OPERATING EXPENSES	
Materials and supplies	289,960
Total Net Position - Beginning, as restated	80,000
Total Net Position - Ending	<u>\$ 80,000</u>

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

GOLETA UNION SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating cash receipts	\$ 289,960
Cash payments to other suppliers of goods or services	(251,425)
Net Cash Provided by Operating Activities	<u>38,535</u>
Cash and Cash Equivalents - Beginning	<u>27,442</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 65,977</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ -
Changes in assets and liabilities:	
Inventories	737
Accrued liabilities	39,455
Due to other fund	(1,657)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 38,535</u></u>

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

GOLETA UNION SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

	Agency Funds			Totals
	Student Body Fund	Flexible Spending Fund	Payroll Clearing Fund	
ASSETS				
Deposits and investments	\$ 490,668	\$ 56,454	\$ 1,102,675	\$ 1,649,797
Receivables	-	-	6,441	6,441
Total Assets	\$ 490,668	\$ 56,454	\$ 1,109,116	\$ 1,656,238
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 493	\$ 493
Due to student groups	490,668	-	-	490,668
Due to employees	-	56,454	-	56,454
Due to other agencies	-	-	1,108,623	1,108,623
Total Liabilities	\$ 490,668	\$ 56,454	\$ 1,109,116	\$ 1,656,238

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 grades K - 6 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, and student related activities of the District.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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.

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. 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).

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

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

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for 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, 2017

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, 2017

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Investments

Investments held at June 30, 2017, 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 fiduciary fund type 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.

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.

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

Accrued Liabilities and Long-Term Obligations

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

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 the deferred charges on refunding of general obligation bonds and 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.

Fund Balances - Governmental Funds

As of June 30, 2017, 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.

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 \$5,800,844 of restricted net position.

Interfund Activity

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

Estimates

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

Budgetary Data

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

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

New Accounting Pronouncements

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

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

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

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.

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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 reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. 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, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 27,083,109
Fiduciary funds	1,649,797
Total Deposits and Investments	<u>\$ 28,732,906</u>

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	\$ 690,138
Cash in revolving	5,500
Investments	28,037,268
Total Deposits and Investments	<u>\$ 28,732,906</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.

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.

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 \$28,037,268 with the Santa Barbara County Treasury Investment Pool. The average weighted maturity for this pool was 405 days.

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, a portion of the District's bank balance of \$588,334 was exposed to custodial credit risk because it was 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, 2017

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, 2017:

Investment Type	Reported Amount	Uncategorized
Santa Barbara County Treasury Investment Pool	\$ 28,037,268	\$ 28,037,268

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Special Education Pass-Through Fund	Other Governmental Funds	Total Governmental Activities	Fiduciary Fund
Federal Government					
Categorical aid	\$ 726,963	\$ 3,952,781	\$ 39,095	\$ 4,718,839	\$ -
State Government					
LCFF apportionment	177,732	-	-	177,732	-
Categorical aid	101,643	1,015,063	12,194	1,128,900	-
Lottery	315,582	-	-	315,582	-
Local Government					
Interest	31,879	1,944	10,805	44,628	6,441
Other local sources	229,272	2	-	229,274	-
Total	<u>\$ 1,583,071</u>	<u>\$ 4,969,790</u>	<u>\$ 62,094</u>	<u>\$ 6,614,955</u>	<u>\$ 6,441</u>

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS

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

	Balance July 01, 2016	Additions	Deductions	Balance June 30, 2017
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	-	-	4,583,580
Buildings and improvements	40,578,741	12,091	-	40,590,832
Furniture and equipment	4,019,297	24,109	15,500	4,027,906
Total Capital Assets Being Depreciated	49,181,618	36,200	15,500	49,202,318
Less Accumulated Depreciation				
Land improvements	3,474,866	161,925	-	3,636,791
Buildings and improvements	17,623,228	835,175	-	18,458,403
Furniture and equipment	3,191,851	236,818	15,500	3,413,169
Total Accumulated Depreciation	24,289,945	1,233,918	15,500	25,508,363
Governmental Activities Capital Assets, Net	<u>\$ 26,328,733</u>	<u>\$ (1,197,718)</u>	<u>\$ -</u>	<u>\$ 25,131,015</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 962,475
School site administration	74,036
Home-to-school transportation	24,680
All other pupil services	24,680
Data processing	12,315
All other general administration	61,696
Plant services	74,036
Total Depreciation Expenses Governmental Activities	<u>\$ 1,233,918</u>

GOLETA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2017, between major governmental funds and the internal service fund are as follows:

A balance of \$4,523 due to the General Fund from the Internal Service Fund resulted from the year-end reconciliation of warehouse issues.

Operating Transfers

Interfund transfers for the year ended June 30, 2017, consisted of the following:

The General Fund transferred \$475,000 to the Deferred Maintenance Non-Major Governmental Fund flexible funds committed for the District's deferred maintenance activities.

The General Fund transferred \$297,000 to the Cafeteria Non-Major Governmental Fund for an operating contribution.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Funds
Supplies and materials	\$ 235,338	\$ -	\$ 16,656	\$ 52,628	\$ 304,622	\$ -
Services	307,374	-	19,153	-	326,527	-
Due to other agencies	-	14,254,758	-	-	14,254,758	-
Other vendor payables	-	1,944	-	-	1,944	493
Total	<u>\$ 542,712</u>	<u>\$ 14,256,702</u>	<u>\$ 35,809</u>	<u>\$ 52,628</u>	<u>\$ 14,887,851</u>	<u>\$ 493</u>

GOLETA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consisted of the following:

	General Fund
Federal financial assistance	<u>\$ 29,227</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, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds payable	\$ 15,795,000	\$ -	\$ 985,000	\$ 14,810,000	\$ 1,025,000
Premium on issuance	1,298,180	-	98,576	1,199,604	-
Accumulated vacation - net	235,174	52,274	-	287,448	-
	<u>\$ 17,328,354</u>	<u>\$ 52,274</u>	<u>\$ 1,083,576</u>	<u>\$ 16,297,052</u>	<u>\$ 1,025,000</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The accrued vacation will be paid by the fund for which the employee worked.

General Obligation Bond

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Redeemed	Bonds Outstanding End of Year
July 2013	August 2029	2.00-5.00%	\$ 17,650,000	<u>\$ 15,795,000</u>	<u>\$ -</u>	<u>\$ 985,000</u>	<u>\$ 14,810,000</u>

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

General Obligation Bonds, Election of 2002, Series C

In July 2013, the District issued the \$ 2013 General Obligation Refunding Bonds. The 2013 Refunding Bonds were issued as current interest bonds at an aggregate price of \$19,034,455, representing the principal amount of \$17,650,000 plus an original issue premium of \$1,593,908, less costs of issuance of \$209,453. 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, 2017, the principal balance outstanding was \$14,810,000, and the remaining unamortized premium was \$1,199,604. Deferred charges on the refunding amounted to \$961,382 at June 30, 2017.

Debt Service Requirements to Maturity

The bonds mature through 2030 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,025,000	\$ 638,575	\$ 1,663,575
2019	1,030,000	602,600	1,632,600
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
2023-2027	6,765,000	1,471,975	8,236,975
2028-2030	2,610,000	115,225	2,725,225
Total	<u>\$ 14,810,000</u>	<u>\$ 4,396,075</u>	<u>\$ 19,206,075</u>

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2017, amounted to \$287,448.

GOLETA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Non-Major Governmental Funds	Total
Nonspendable			
Revolving cash	\$ 5,000	\$ 500	\$ 5,500
Stores inventories	-	8,697	8,697
Prepaid expenditures	200	-	200
Total Nonspendable	<u>5,200</u>	<u>9,197</u>	<u>14,397</u>
Restricted			
Legally restricted programs	930,659	280,852	1,211,511
Capital projects	-	2,623,152	2,623,152
Debt services	-	2,158,660	2,158,660
Total Restricted	<u>930,659</u>	<u>5,062,664</u>	<u>5,993,323</u>
Assigned			
One-time discretionary	1,513,110	-	1,513,110
Deferred maintenance program	-	1,277,216	1,277,216
Prop. 30, EPA funds	1,418,773	-	1,418,773
Total Assigned	<u>2,931,883</u>	<u>1,277,216</u>	<u>4,209,099</u>
Unassigned			
Reserve for economic uncertainties	1,451,419	-	1,451,419
Remaining unassigned	7,103,269	-	7,103,269
Total Unassigned	<u>8,554,688</u>	<u>-</u>	<u>8,554,688</u>
Total	<u>\$ 12,422,430</u>	<u>\$ 6,349,077</u>	<u>\$ 18,771,507</u>

NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2017, the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual*	Excess
General Fund	\$ 48,019,236	\$ 48,384,049	\$ 364,813

* On behalf payments of \$1,972,409 are included in the actual expenditures.

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 12 - 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, 2017, information was not available that indicates that the District has an outstanding obligation for any calculated deficits. See Note 15 for additional information regarding the pools.

Employee Medical Benefits

For fiscal year 2017, 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 2017, 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 2017, 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, 2017

NOTE 13 - 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, 2017, 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	\$ 36,394,148	\$ 7,313,364	\$ 2,762,059	\$ 3,528,617
CalPERS	14,141,619	4,055,887	1,080,955	1,597,701
Total	<u>\$ 50,535,767</u>	<u>\$ 11,369,251</u>	<u>\$ 3,843,014</u>	<u>\$ 5,126,318</u>

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, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

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, 2017, are presented above and the District's total contributions were \$2,882,749.

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

At June 30, 2017, 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	\$ 36,394,148
State's proportionate share of the net pension liability associated with the District	20,718,539
Total	<u>\$ 57,112,687</u>

GOLETA UNION SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively, was 0.0450 percent and 0.0480 percent, resulting in a net decrease in the proportionate share of 0.0030 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$3,528,617. In addition, the District recognized pension expense and revenue of \$1,972,409 for support provided by the State. At June 30, 2017, 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	\$ 2,882,749	\$ -
Net change in proportionate share of net pension liability	1,537,297	1,874,265
Difference between projected and actual earnings on pension plan investments	2,893,318	-
Differences between expected and actual experience in the measurement of the total pension liability	-	887,794
Total	<u>\$ 7,313,364</u>	<u>\$ 2,762,059</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 63,123
2019	63,124
2020	1,681,895
2021	1,085,176
Total	<u>\$ 2,893,318</u>

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (166,945)
2019	(166,945)
2020	(166,945)
2021	(166,945)
2022	(166,946)
Thereafter	(390,036)
Total	<u>\$ (1,224,762)</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return 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 7.60 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 (7.60 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 (6.60%)	\$ 52,379,387
Current discount rate (7.60%)	36,394,148
1% increase (8.60%)	23,117,738

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
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%	6.00%
Required employer contribution rate	13.888%	13.888%

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, are presented above and the total District contributions were \$1,244,554.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$14,141,619. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively, was 0.0716 percent and 0.0774 percent, resulting in a net decrease in the proportionate share of 0.0058 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$1,597,701. At June 30, 2017, 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	\$ 1,244,554	\$ -
Net change in proportionate share of net pension liability	8,784	656,084
Difference between projected and actual earnings on pension plan investments	2,194,324	-
Differences between expected and actual experience in the measurement of the total pension liability	608,225	-
Changes of assumptions	-	424,871
Total	\$ 4,055,887	\$ 1,080,955

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 307,783
2019	307,783
2020	1,006,060
2021	572,698
Total	<u>\$ 2,194,324</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (163,773)
2019	(162,673)
2020	(137,500)
Total	<u>\$ (463,946)</u>

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The 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	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 (6.65%)	\$ 21,099,375
Current discount rate (7.65%)	14,141,619
1% increase (8.65%)	8,347,919

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 \$1,972,409 (8.828 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*.

NOTE 14 - 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, 2017.

Litigation

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

GOLETA UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 15 - 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, 2017, the District made payments of \$226,765, \$4,914,181, and \$692,970, to SISC II, SISC III, and SIPE, respectively, for services received.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District's prior-year net position for the government-wide Statement of Net Position and fund balance for the Internal Services Funds have been restated as of June 30, 2017. The activity in the fund is fiduciary in nature and are more accurately presented as this type of fund. Accordingly, the beginning fund balance for Fund 67, Self-Insurance Fund, presented in the previous financial statements as an Internal Service Fund, and therefore incorporated in the government-wide financial statements, is reported as an Agency Fund.

Government-Wide Statement of Activities

Net Position - Beginning	\$ (13,677,304)
Change in accounting principles	(1,065,852)
Net Position - Beginning, as restated	<u>\$ (14,743,156)</u>

Internal Service Funds

Net Position - Beginning	\$ 1,145,852
Change in accounting principles	(1,065,852)
Net Position - Beginning, as restated	<u>\$ 80,000</u>

REQUIRED SUPPLEMENTARY INFORMATION

GOLETA UNION SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
REVENUES				
Local Control Funding Formula	\$ 37,491,432	\$ 38,710,715	\$ 39,184,621	\$ 473,906
Federal sources	1,249,564	1,367,666	1,459,394	91,728
Other State sources	2,777,853	3,207,279	5,295,859	2,088,580
Other local sources	1,492,775	1,818,652	2,283,898	465,246
Total Revenues ¹	43,011,624	45,104,312	48,223,772	3,119,460
EXPENDITURES				
Current				
Certificated salaries	23,404,920	24,088,817	23,362,387	726,430
Classified salaries	9,372,645	9,354,309	9,772,551	(418,242)
Employee benefits	8,230,558	7,957,329	9,936,976	(1,979,647)
Books and supplies	2,286,833	2,819,722	1,912,063	907,659
Services and operating expenditures	2,228,181	2,920,288	2,610,602	309,686
Other outgo	58,500	-	(6,639)	6,639
Capital outlay	120,933	83,500	24,109	59,391
Total Expenditures ¹	45,702,570	47,223,965	47,612,049	(388,084)
Excess (Deficiency) of Revenues Over Expenditures	(2,690,946)	(2,119,653)	611,723	2,731,376
Other Financing Sources (Uses)				
Transfers in	-	2,597	-	(2,597)
Transfers out	(225,000)	(795,271)	(772,000)	23,271
Net Financing Sources (Uses)	(225,000)	(792,674)	(772,000)	20,674
NET CHANGE IN FUND BALANCES	(2,915,946)	(2,912,327)	(160,277)	2,752,050
Fund Balance - Beginning	12,582,707	12,582,707	12,582,707	-
Fund Balance - Ending	\$ 9,666,761	\$ 9,670,380	\$ 12,422,430	\$ 2,752,050

¹ On behalf payments of \$1,972,409 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, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive (Negative) Final to Actual
REVENUES				
Federal sources	\$ 17,400,000	\$ 17,400,000	\$ 12,616,533	\$ (4,783,467)
Other State sources	4,550,000	4,550,000	4,251,866	(298,134)
Other local sources	-	-	1,018	1,018
Total Revenues	21,950,000	21,950,000	16,869,417	(5,080,583)
EXPENDITURES				
Current				
Other outgo	21,950,000	21,950,000	16,869,417	5,080,583
NET CHANGE IN FUND BALANCES	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

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, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
District's proportion of the net pension liability	<u>0.0450%</u>	<u>0.0480%</u>	<u>0.0450%</u>
District's proportionate share of the net pension liability	<u>\$ 36,394,148</u>	<u>\$ 32,285,352</u>	<u>\$ 25,671,298</u>
State's proportionate share of the net pension liability associated with the District	<u>20,718,539</u>	<u>17,075,415</u>	<u>14,119,214</u>
Total	<u><u>\$ 57,112,687</u></u>	<u><u>\$ 49,360,767</u></u>	<u><u>\$ 39,790,512</u></u>
District's covered - employee payroll	<u>\$ 22,501,920</u>	<u>\$ 21,723,547</u>	<u>\$ 19,972,752</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>161.74%</u>	<u>148.62%</u>	<u>128.53%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
CalPERS			
District's proportion of the net pension liability	<u>0.0716%</u>	<u>0.0774%</u>	<u>0.0774%</u>
District's proportionate share of the net pension liability	<u>\$ 14,141,619</u>	<u>\$ 11,403,925</u>	<u>\$ 8,793,441</u>
District's covered - employee payroll	<u>\$ 8,579,345</u>	<u>\$ 8,607,968</u>	<u>\$ 8,080,065</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>164.83%</u>	<u>132.48%</u>	<u>108.83%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>

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

See accompanying note to required supplementary information.

GOLETA UNION SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Contractually required contribution	\$ 2,882,749	\$ 2,414,456	\$ 1,929,051
Contributions in relation to the contractually required contribution	2,882,749	2,414,456	1,929,051
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 22,915,334</u>	<u>\$ 22,501,920</u>	<u>\$ 21,723,547</u>
Contributions as a percentage of covered - employee payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS			
Contractually required contribution	\$ 1,244,554	\$ 1,016,395	\$ 1,013,244
Contributions in relation to the contractually required contribution	1,244,554	1,016,395	1,013,244
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 8,961,362</u>	<u>\$ 8,579,345</u>	<u>\$ 8,607,969</u>
Contributions as a percentage of covered - employee payroll	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

See accompanying note to required supplementary information.

GOLETA UNION SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedules

These schedules presents 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.

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 in 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, 2017**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
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	\$ 335,255
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	128,282
Title III - Immigration Education Program	84.365	15146	15,083
Title III - English Learner Student Program	84.365	14346	96,376
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	562,893
Local Assistance, Part B, Section 611, Private School ISPs	84.027	10115	15,690
Preschool Grants, Part B, Section 619	84.173	13430	32,202
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	108,231
Passed through Santa Barbara SELPA Administrative Unit (AU) to Districts			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	10,101,374
Preschool Grants, Part B, Section 619	84.173	13430	377,900
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	1,234,700
Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	753,403
Preschool Staff Development, Part B, Sec 619	84.173A	13431	3,528
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	18,297
Subtotal Special Education (IDEA) Cluster			<u>13,208,218</u>
Early Intervention Grants, Part C	84.181	23761	<u>127,331</u>
Total - U.S. Department of Education			<u>13,910,545</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	<u>143,825</u>

See accompanying note to supplementary information.

GOLETA UNION SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Especially Needy Breakfast Program	10.553	13526	\$ 166,010
Basic Breakfast Program	10.553	13525	7,898
National School Lunch Program	10.555	13396	694,693
Commodities	10.555	13396	89,115
Meal Supplements	10.556	13392	31,963
Subtotal Child Nutrition Cluster			<u>989,679</u>
Passed through CDE:			
Child & Adult Care Food Program	10.558	13393	13,476
Forest Reserve	10.665	10044	223
Total U.S. Department of Agriculture			<u>1,003,378</u>
Total Federal Programs			<u>\$ 15,057,748</u>

See accompanying note to supplementary information.

GOLETA UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017

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>
Luz-Reyes Martin	President	2018
Carin Ezal	Vice President	2018
Dr. Richard E. Mayer	Clerk	2018
Susan Epstein	Member	2020
Sholeh Jahangir	Member	2020

ADMINISTRATION

William Banning	Superintendent
Bridget Braney	Assistant Superintendent, Instructional Services
Donna Madrigal	Assistant Superintendent, Administrative Resources
Conrad Tedeschi	Assistant Superintendent, Fiscal Services
Margaret Saleh	Assistant Superintendent, Pupil Personnel and Special Services

See accompanying note to supplementary information.

GOLETA UNION SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2017**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,969.68	1,967.81
Fourth through sixth	1,460.90	1,460.14
Total Regular ADA	<u>3,430.58</u>	<u>3,427.95</u>
Extended Year Special Education		
Transitional kindergarten through third	1.50	1.50
Fourth through sixth	1.22	1.22
Total Extended Year Special Education	<u>2.72</u>	<u>2.72</u>
 Total ADA	<u><u>3,433.30</u></u>	<u><u>3,430.67</u></u>

See accompanying note to supplementary information.

GOLETA UNION SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017**

Grade Level	1986-87	2016-17	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	47,960	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,615	180	N/A	Complied
Grade 2		54,615	180	N/A	Complied
Grade 3		54,615	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		55,955	180	N/A	Complied
Grade 5		55,955	180	N/A	Complied
Grade 6		55,955	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, 2017**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

GOLETA UNION SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

	(Budget) 2018 ¹	2017	2016	2015
GENERAL FUND				
Revenues	\$ 45,093,270	\$ 48,223,772	\$ 46,917,741	\$ 43,390,866
Expenditures	48,468,717	47,612,049	45,298,632	43,244,074
Other uses and transfers out	225,000	772,000	230,000	226,000
Total Expenditures and Other Uses	48,693,717	48,384,049	45,528,632	43,470,074
INCREASE (DECREASE) IN FUND BALANCE	\$ (3,600,447)	\$ (160,277)	\$ 1,389,109	\$ (79,208)
ENDING FUND BALANCE	\$ 8,821,983	\$ 12,422,430	\$ 12,582,707	\$ 11,193,598
AVAILABLE RESERVES ²	\$ 6,938,800	\$ 8,554,688	\$ 8,906,096	\$ 8,883,411
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	14.25%	17.68%	19.56%	20.44%
LONG-TERM OBLIGATIONS	N/A	\$ 16,297,052	\$ 17,328,354	\$ 18,310,350
K-12 AVERAGE DAILY ATTENDANCE AT P-2	3,433	3,433	3,544	3,572

The General Fund balance has increased by \$1,228,832 over the past two years. The fiscal year 2017-2018 budget projects a decrease of \$3,600,447 (29 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 2017-2018 fiscal year. Total long-term obligations have decreased by \$2,013,298 over the past two years.

Average daily attendance has decreased by 139 over the past two years. No change in ADA is anticipated during fiscal year 2017-2018.

¹ Budget 2018 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.

See accompanying note to supplementary information.

GOLETA UNION SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ -	\$ 260,415	\$ 1,289,210
Receivables	9,550	42,071	1,631
Stores inventories	-	8,697	-
Total Assets	<u>\$ 9,550</u>	<u>\$ 311,183</u>	<u>\$ 1,290,841</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	\$ 9,550	\$ -	\$ -
Accounts payable	-	21,134	13,625
Total Liabilities	<u>9,550</u>	<u>21,134</u>	<u>13,625</u>
Fund Balances:			
Nonspendable	-	9,197	-
Restricted	-	280,852	-
Assigned	-	-	1,277,216
Total Fund Balances	<u>-</u>	<u>290,049</u>	<u>1,277,216</u>
Total Liabilities and Fund Balances	<u>\$ 9,550</u>	<u>\$ 311,183</u>	<u>\$ 1,290,841</u>

See accompanying note to supplementary information.

Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 2,618,985	\$ 2,155,035	\$ 6,323,645
5,217	3,625	62,094
-	-	8,697
<u>\$ 2,624,202</u>	<u>\$ 2,158,660</u>	<u>\$ 6,394,436</u>
\$ -	\$ -	\$ 9,550
1,050	-	35,809
<u>1,050</u>	<u>-</u>	<u>45,359</u>
-	-	9,197
2,623,152	2,158,660	5,062,664
-	-	1,277,216
<u>2,623,152</u>	<u>2,158,660</u>	<u>6,349,077</u>
<u>\$ 2,624,202</u>	<u>\$ 2,158,660</u>	<u>\$ 6,394,436</u>

GOLETA UNION SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	\$ -	\$ 1,003,155	\$ -
Other State sources	281,589	66,208	-
Other local sources	367	513,135	5,277
Total Revenues	281,956	1,582,498	5,277
EXPENDITURES			
Current			
Pupil services:			
Food services	-	1,657,379	-
Administration:			
All other administration	15,599	-	-
Facility acquisition and construction	-	-	147,699
Community services	266,357	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	281,956	1,657,379	147,699
Excess (Deficiency) of Revenues of Over Expenditures	-	(74,881)	(142,422)
Other Financing Sources			
Transfers in	-	297,000	475,000
NET CHANGE IN FUND BALANCES	-	222,119	332,578
Fund Balance - Beginning, as restated	-	67,930	944,638
Fund Balance - Ending	\$ -	\$ 290,049	\$ 1,277,216

See accompanying note to supplementary information.

Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 1,003,155
-	7,133	354,930
1,036,782	1,619,082	3,174,643
<u>1,036,782</u>	<u>1,626,215</u>	<u>4,532,728</u>
-	-	1,657,379
-	-	15,599
62,915	-	210,614
-	-	266,357
-	985,000	985,000
-	669,385	669,385
<u>62,915</u>	<u>1,654,385</u>	<u>3,804,334</u>
<u>973,867</u>	<u>(28,170)</u>	<u>728,394</u>
-	-	772,000
<u>973,867</u>	<u>(28,170)</u>	<u>1,500,394</u>
1,649,285	2,186,830	4,848,683
<u>\$ 2,623,152</u>	<u>\$ 2,158,660</u>	<u>\$ 6,349,077</u>

GOLETA UNION SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that have been recorded in the current period that have not been expended as of June 30, 2017. These unspent balances are reported as legally restricted balances in the General Fund.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 15,079,082
Medi-Cal Billing Option	93.778	(21,334)
Total Schedule of Expenditures of Federal Awards		<u>\$ 15,057,748</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.

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 neither met nor exceeded 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.

GOLETA UNION SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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, 2017, 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 15, 2017.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 16 to the financial statements, certain items in the prior year net position and fund balance have been restated to more accurately reflect the substance of the underlying transactions. Our opinion is not modified with respect to this matter

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 15, 2017.

Purpose of This Report

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

VAUZNER, TRINE, INC. & CO. LLP

Rancho Cucamonga, California
December 15, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND 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, 2017. 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, 2017.

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.

VAJRNEX, TRINE, MAY + CO. LLP

Rancho Cucamonga, California
December 15, 2017



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 *2016-2017 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, 2017.

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 *2016-2017 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 Before and 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 *Before and After School Education and Safety Program*, finding 2017-01. 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 Before and 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, 2017.

Unmodified Opinion on Each of the Other Programs

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, 2017, 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
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	Yes

	Procedures Performed
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
Immunizations	Yes, see below

CHARTER SCHOOLS

Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-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 Attendance 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 an Early or Middle College High School Program; therefore, we did not perform any procedures related to the Early or Middle College High School Program.

The District did not offer an Independent Study-Course Based Program during the current year; therefore, we did not perform procedures related to the Independent Study-Course Based Program.

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform any related procedures.

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

VAUGHN, TRINE. MAY + CO. LLP

Rancho Cucamonga, California
December 15, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GOLETA UNION SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

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>Unmodified</u>
Unmodified for all programs except for the following program which was qualified:	
	<u>Name of Program</u>
	Before and After School Education and Safety Program

GOLETA UNION SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported

GOLETA UNION SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

GOLETA UNION SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

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

2017-001 Code 40000

Criteria or Specific Requirements

According to *Education Code* Section 8483.1(a)(2)(A), elementary school pupils are to participate in the full day of the before school program every day during which pupils participate, except as consistent with the established late arrival policy.

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.

Condition

Documentation supporting the number of students served does not agree with the amounts reported on the semi-annual attendance report. The District maintains sign-in/sign-out sheets (rosters) for students in order to track attendance. The auditor tested the program at Isla Vista Elementary School, one of three sites operating the program in the District, and recomputed the attendance as indicated on the rosters to determine if total attendance for the month of October 2016 agrees with the amount reported on the semi-annual report.

For the before school program, the auditor counted each student on the sign-out sheet who was signed in at 6:45 a.m. and each student who arrived late and had a reason on for the late arrival noted on the sign-in sheet, in accordance with the District's late arrival policy. According to the worksheet used to prepare the 2016-2017 First Half Attendance Report, Isla Vista Elementary School had 857 student attendance days for the month, but the auditor's count per the criteria described above yielded 180 student attendance days, resulting in a difference of 677 days. The auditor noted only five students who were signed in between 6:45 and 7:00 a.m. most days of the month

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 in accordance with the District early release policy. According to the worksheet used to prepare the 2016-2017 First Half Attendance Report, Isla Vista Elementary School had 2,721 student attendance days for the month, but the auditor's count per the criteria described above yielded 2,587 student attendance days, resulting in a difference of 134 days.

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

GOLETA UNION SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with the condition. However, the number of student served appears to be overstated by 677 and 134 for the before school and after school programs, respectively, at Isla Vista Elementary School for the month of October 2016.

Context

The condition identified was determined through a review of attendance records from the Isla Vista Elementary School in the district that operates the after school program. Manual sign-in/sign-out rosters were reviewed for each pupil's sign-in time for the before school program and the sign-out time for the after school program 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 677 for the before school program and 134 for the after school program 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 677 and 134 for the before school and after school programs, respectively for 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 not ensuring that the total number of student days of attendance recorded on the manual rosters in accordance with its attendance policies for the Program agreed to the monthly summaries and the attendance reports that were submitted to the California Department of Education.

Recommendation

The District should ensure adequate review of the attendance reports prior to submission to the California Department of Education. In addition, the total number of students served in accordance with its attendance policies for the Program as noted in the manual rosters should reconcile to the total number of students reported on the attendance 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 5:45pm, 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, 2017

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 financial statement findings.

Financial Statements Findings

2016-001 Code 30000

Criteria or Specific Requirements

When students make payments towards their balances for camp, student accounts should be carefully tracked so that each payment can be traced to a bank deposit

Condition

At La Patera Elementary School, funds are collected for camp and applied to the student's account balance. However, there is no tracking of payment amounts or payment dates. Therefore, we were unable to trace specific camp payments to a bank deposit, or to a specific student's account.

Effect

Potential errors in tracking of student account balances.

Cause

Recommendation

We recommend changing the way camp payments are tracked. The spreadsheet in use can be changed to include a listing of each payment in each student's account so that if a payment is questioned, the date and amount can easily be found on the spreadsheet.

Current Status

Implemented

GOLETA UNION SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

State Awards Findings

2016-002 Code 10000 – Attendance

Criteria or Specific Requirements

In accordance with *Education Code* Section 460000, attendance shall be recorded and kept according to regulations prescribed by the State Board of Education.

Condition

The District made a revision to their attendance counts after the Second Principal Apportionment (P-2) Report had already been submitted, but did not submit a revised P-2 report.

Effect

The P-2 report was understated by less than 1 ADA.

Cause

District oversight.

Questioned Costs:

\$0.00

Recommendation

When a revision is made to attendance after the reporting of P-2, the District should submit a revised P-2 Report if the figures have changed.

Current Status

Implemented

GOLETA UNION SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

2016-003 Code 40000 – After School Education and Safety Program

Criteria or Specific Requirements

Attendance documentation supporting the reported numbers of students served for the ASES Program should be maintained by the school district in accordance with California *Education Code* 8482.3 and 8483. This documentation should be used to calculate the totals for the attendance summaries reported to the CDE.

Condition

When the weekly attendance reports were summarized, the totals did not match what was reported on the attendance report submitted to the CDE.

Effect

The following is the discrepancy between the reported numbers of students served and the total arising from the supporting documentation.

	<u>District Documentation</u>	<u>Reported to CDE</u>	<u>Difference</u>
Second Half	26,608	27,500	(892)

Cause

The District failed to reconcile the attendance rosters to the attendance reported to the CDE.

Questioned Costs:

\$0.00

Recommendation

Reconcile weekly ASES rosters to the attendance summaries to ensure they match.

Current Status

Not implemented – See current-year finding



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

Governing Board
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, 2017, 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 15, 2017 on the government-wide financial statements of the District.

General Ledger Accounting

Observation

The District staff does not document its review and approval of notifications or backup received from the Santa Barbara County Education Office (SBCEO) for revenue and charges posted to the general ledger by that office.

Recommendation

Although the SBCEO provides a service to the District by posting certain revenues and charges directly to the District's general ledger, the accounting records of the District are ultimately the District staff's responsibility. A qualified Business Office staff member should review backup documentation for entries made by SBCEO staff and should indicate his/her review by initialing and dating the documentation.

Revolving Fund Account

Observation

The revolving fund bank account is not reconciled to its full imprest balance at the end of each month.

Recommendation

In order to ensure proper internal controls over the Revolving Account, the District should ensure that the Revolving Account is reconciled at the close of every month. At that time it should also be balanced to its full imprest amount. This would allow the reviewing administrator to ensure that the entire fund is accounted for and that only authorized transactions take place in the account.

Child Care Bank Account

Observation

There is no documentation that postings to the on-line payment system, Sandbox, are reconciled to deposits posted to the bank account. In addition, there is no indication that the Child Care bank account reconciliation is reviewed each month.

Recommendation

Payments recorded on the on-line payment system should be reconciled to deposit in the Child Care bank account and the monthly reconciliation for the account should be reviewed by a supervisor. This would allow the reviewing administrator to ensure that deposits agree accounted for and that only authorized transactions take place in the account.

Cafeteria Bank Account

Observation

There is no indication that the Cafeteria bank account reconciliation is reviewed each month.

Recommendation

The Cafeteria bank account reconciliation should be reviewed by a supervisor. This would allow the reviewing administrator to ensure that deposits are accounted for and that only authorized transactions take place in the account.

Observation

The Cafeteria bank account is used for the collection of site Cafeteria sales prior to transmittal to the County Treasury. Overages and shortages for daily sales are not tracked by site.

Recommendation

We recommend that over and short deposits be tracked by site in order to determine if there is a pattern for any one site.

Cash Disbursements - General

Observation

Purchase orders are not consistently approved prior to expenditures taking place. 13 of 40 expenditures selected for testing did not have approval in advance of the purchase taking place, six of the 40 expenditures did not have a purchase order generated and backup for one expenditure could not be located by the District. The lack of approval in advance of expenditure could potentially lead to spending in excess of budgeted funds. In addition, expenditures of questionable nature could arise if disbursements are not pre-approved.

Recommendation

In order to ensure proper internal controls over the disbursements, the District should ensure that all disbursement transactions are approved in advance by authorized administrative personnel. This would allow the reviewing administrator to determine if the proposed activities are appropriate for the funding source and to determine if sufficient funding is available to finance the purchases.

Cash Disbursements – Travel and Conference

Observation

Thirteen of 40 expenditures for employee travel were not approved in advance of the travel. This could potentially lead to spending in excess of available funds or outside of the District's priorities for attendance at conferences or other training.

Recommendation

In order to ensure proper internal controls over the disbursements, the District should ensure that all transactions are approved in advance of the travel date by authorized administrative personnel. This would allow the reviewing administrator to determine if the proposed travel is appropriate for the funding source and to determine if sufficient funding is available.

Payroll and Human Resources

Observation

The personnel and payroll system controls are not set to provide the proper segregation of duties for internal control purposes. The payroll department has access to human resources function in the Escape financial accounting system without a compensating control. This could allow payroll staff to add employees or alter the pay rate for existing employees without detection.

Recommendation

Employee access to the system components should be reset so that only human resources staff is able to add employees or change rates of pay for existing employees. A compensating control for the current system would be for a management level employee to review a report of changes made to the roster of employees and to rates of pay. The report would be generated at regular intervals with the reviewer signing and dating to indicate his/her review.

Observation

There is no formal documentation process for new hires or terminations. The Human Resources Department staff noted that the procedure for documenting the approval of the hiring of new employees and the acknowledgement of terminations was that all hiring and terminations are approved by the governing board. However, five of 13 new hires selected for testing and four of seven terminations selected could not be traced to the Board minutes.

Recommendation

The approval to hire an employee should be documented in writing, with the results of any screening procedures, salary schedule placement and the rationale for the placement noted. The hiring document should be signed and dated by a management employee in the Human Resources Department to indicate his/her review of the new hire's qualifications and placement on the salary schedule. The Human Resources Department staff should ensure that all hiring and terminations are reported to the governing board.

Observation

There is no documentation of the review of additional college credits or units earned by teachers prior to their rate of pay being increased.

Recommendation

A manual or electronic record of each certificated employee's college credits should be maintained to justify movement on the salary schedule. The approval of a change in rate of pay due to the earning of additional college credits by an authorized administrator should be documented.

Observation

We noted several problems with the leave accounting system:

- There were several approved leave accounting slips on file for which leave was not posted into the leave accounting module of the Escape financial system.
- There were entries in the leave accounting module that could not be traced to a leave slip on file.
- It appears that there is no system in place to ensure that approved leave accounting slips are forwarded to the Human Resources Department for posting in the system.

Recommendation

The District should develop a procedure to ensure that all employee absences are recorded in the leave accounting system. This should include, but not be limited to, the coordination leave recording with substitute placement.

School Site Bank Accounts

Observation

Each site has maintained one or more bank accounts primarily to hold money collected for outdoor school trips and to pay for those trips. There are no controls in place to ensure that all funds collected are deposited to the accounts. Upon request, the sites were not able provide a financial statement of the accounts' activity for the school year.

One site was selected for a review of activity. We noted that of 30 cash receipts selected for testing, three were not supported by a copy of a triplicate receipt and one had an undated receipt. Seven of the receipts were not deposited in a timely manner, with delays ranging from nine to 116 days.

Three disbursements were selected for testing. None of the three had documentation to indicate approval in advance of the expenditure.

Recommendation

Due to the specific purpose for the accounts, to collect and disburse funds for an annual trip, we recommend that the bank accounts be closed and that the activity be handled at the District Office. This would allow for a proper accounting of the activity, timely deposits of the funds collected and approvals in advance of expenditures.

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 fund raiser, staff should complete a revenue potential or sales analysis form. Such a document allows staff to determine the profitability of a fund raiser 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.

VAUGHN, TRINE. My + Co. LLP

Rancho Cucamonga, California
December 15, 2017