Annual Financial Report
June 30, 2019

Orcutt Union School District

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ORCUTT UNION SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
Orcutt Union School District
Orcutt, 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 Orcutt Union School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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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 Orcutt Union School District, as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedules on pages 69 and 70, schedule of changes in the District's net OPEB liability and related ratios on page 71, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 72, schedule of the District's proportionate share of net pension liability on page 73, and schedule of District contributions on page 74, 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 Orcutt Union School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019, on our consideration of the Orcutt 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 Orcutt 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 Orcutt Union School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 3, 2019

Orcutt Union School District

Where a Dedicated Staff Means
K I D S C O M E F I R S T

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units 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 and proprietary activities separately. 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.

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

The *Governmental Funds* are prepared using the current financial resources measurement focus and 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 Orcutt Union School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and 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 liabilities, 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 are one indicator of whether *its financial health 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 separate the District activities as follows:

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, 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.

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 Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position (deficit) was $(2,120,704) for the fiscal year ended June 30, 2019, and $(7,460,184) at June 30, 2018. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use the net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2019	2018
Assets		
Current and other assets	$ 46,079,674	$ 45,133,938
Capital assets	30,370,226	28,700,257
Total Assets	**76,449,900**	**73,834,195**
Deferred Outflow of Resources	14,120,368	14,941,433
Liabilities		
Current liabilities	3,621,142	4,216,297
Long-term obligations	33,666,319	38,356,343
Net pension liability	50,701,808	49,388,743
Total Liabilities	**87,989,269**	**91,961,383**
Deferred Inflow of Resources	4,701,703	4,274,429
Net Position		
Investment in capital assets	15,923,855	16,979,372
Restricted	12,685,733	10,147,810
Unrestricted (deficit)	(30,730,292)	(34,587,366)
Total Net Position (Deficit)	**$ (2,120,704)**	**$ (7,460,184)**

The $(30,730,292) in unrestricted net deficit position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

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

Table 2

	Governmental Activities 2019	Governmental Activities 2018
Revenues		
Program revenues:		
Charges for services	$ 1,053,694	$ 721,976
Operating grants and contributions	9,767,620	7,864,872
General revenues:		
Federal and State aid not restricted	32,487,218	29,191,797
Property taxes	17,960,655	16,881,439
Other general revenues	3,991,702	4,077,805
Total Revenues	**65,260,889**	**58,737,889**
Expenses		
Instruction-related	40,956,969	41,798,679
Pupil services	5,798,904	5,308,373
Administration	2,290,214	2,758,726
Plant services	7,664,547	5,406,235
Other	3,210,775	2,961,024
Total Expenses	**59,921,409**	**58,233,037**
Change in Net Position	**$ 5,339,480**	**$ 504,852**

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $59,921,409. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $17,960,655 because the cost was paid by those who benefited from the programs $1,053,694 or by other governments and organizations who subsidized certain programs with grants and contributions $9,767,620. We paid for the remaining "public benefit" portion of our governmental activities with $36,478,920 in State funds and with 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 including instructional supervision and administration, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	$ 35,654,395	$ 34,788,364	$ 28,531,951	$ 29,477,597
Instructional supervision and administration	5,302,574	7,010,315	4,817,710	6,663,456
Pupil services	5,798,904	5,308,373	3,293,708	2,933,396
Administration	2,290,214	2,758,726	2,155,461	2,642,404
Plant services	7,664,547	5,406,235	7,659,993	5,384,691
All other services	3,210,775	2,961,024	2,641,272	2,544,645
Total	**$ 59,921,409**	**$ 58,233,037**	**$ 49,100,095**	**$ 49,646,189**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the District as a whole is reflected in its governmental funds. As the District completed this fiscal year, its governmental funds reported a combined fund balance/net position of $42,529,604. This is an increase over last year. The District's governmental activities had more revenues than expenditures in 2019.

Beginning in fiscal year 2010-2011, GASB Statement No. 54 stated that Fund 20, Postemployment Benefits Fund, is not substantially composed of restricted or committed revenue sources. For this year, the fund will remain open for internal reporting purposes; however, it will be reported in these financials as an extension of the General Fund and, accordingly, combined with the General Fund for presentation in these audited financial statements.

As the District completed this year, our governmental funds reported a combined fund balance of $42,529,604, which is an increase of $1,521,755 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2018	Revenues	Expenditures	June 30, 2019
General Fund	$ 16,696,505	$ 52,134,871	$ 49,383,000	$ 19,448,376
Charter School Fund	1,295,241	8,264,447	7,926,909	1,632,779
Building Fund	14,770,515	240,063	3,720,081	11,290,497
Capital Facilities Fund	4,458,322	738,748	23,819	5,173,251
Non-Major Governmental Funds	3,787,266	4,882,512	3,685,077	4,984,701
Total	$ 41,007,849	$ 66,260,641	$ 64,738,886	$ 42,529,604

General Fund Budgetary Highlights

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

- Revenues – increased due to one-time revenue from the State and a disbursement of the ending fund balance from the Workers' Compensation pool.
- Benefits costs – revised to reflect additional funds and expenditures related to STRS and PERS transactions by the State.
- Non-Capital expenses – decreased to revise operational cost estimates.

Education Protection Act

The Education Protection Act (EPA) was created as a result of Proposition 30 which was passed by the electorate in November 2012. Revenues from taxes are deposited into the EPA account and the funds are released to K-14 school agencies. EPA funds did not provide additional funds to districts but instead are an offset from what otherwise would have been provided by the State of California. Proposition 30 did, however, help remove the threat of continued cuts to schools which was a welcome relief. The funds come with requirements that must be met. Each year local school agencies are required to discuss the plan to spend EPA funds in a public meeting of the governing board, and the funds cannot be used for administrative costs. At the end of each fiscal year, each local school agency is required to post on its website a report of the amount of EPA funds received for the year along with an accounting of how the funds were spent.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had $30,370,226 in a broad range of capital assets (net decrease of depreciation), including land, construction in progress, buildings and improvements, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $1,669,969 or more than 5 percent, from last year (Table 5).

	Governmental Activities	
	2019	2018
Land and construction in progress	$ 1,878,255	$ 1,878,255
Construction in Progress	1,408,418	-
Buildings and improvements	43,625,532	42,605,723
Equipment	10,417,627	9,469,867
Less accumulated depreciation	(26,959,606)	(25,253,588)
Total	**$ 30,370,226**	**$ 28,700,257**

Long-Term Obligations

At the end of this year, the District had $24,910,000 in bonds outstanding versus $25,635,000 last year, a decrease of three percent. Long-term obligations consisted of:

	Governmental Activities	
	2019	2018
General obligation bonds (financed with property taxes)	$ 24,910,000	$ 25,635,000
Premium on issuance	826,868	856,400
Compensated absence payable	158,710	251,585
Supplemental Early Retirement	-	136,500
Total OPEB liability	7,770,741	11,476,858
Total	**$ 33,666,319**	**$ 38,356,343**

Net Pension Liability (NPL)

At year end, the District has a net pension liability of $50,701,808 versus $49,388,743 last year, an increase of $1,313,065, or three percent.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District is experiencing declining enrollment. Since 2014-15 the decline was quite modest. Since 2017-18, our number of enrolled students declined by 131. We receive approximately $7800/students, this enrollment loss equates to a decrease in revenue of over $1 million per year. A decline in enrollment can also have a negative effect on our unduplicated pupil percentage, which would have an additional negative impact on our revenue. While the economy appears to be relatively stable at the current time, we will continue to monitor key economic indicators in preparation for the next recession. Even with a stable economy, our District will continue to face challenges in the coming years due to the Local Control Funding Formula, declining enrollment, increasing special education costs, and increasing pension costs.

This is the sixth year of the Local Control Funding Formula (LCFF) which is a drastic change from the State revenue limit and categorical funding formula that has been in place for at least 40 years. The LCFF was designed to close the achievement gap and provides for a different distribution of dollars, not new funding. It only guarantees that the District will receive what would have been received in 2007-08 had we been fully funded. The new State formula funds base grants, plus supplemental and concentration grants based on the percentage of economically disadvantaged students, foster youth and English Learners. The formula has been phased in over several years and has now reached full implementation. From this point forward, the only increase in funding the District will receive is a Cost of Living Adjustment (COLA). Unfortunately, a COLA will barely cover step and column salary increases and PERS and STRS pension increases each year. As a result, the next several years will be a challenging time for our District, as well as districts throughout the State.

Under LCFF, the District receives only modest increases in comparison to neighboring districts in the Santa Maria Valley due to its demographic profile. This will make it increasingly more difficult to attract and retain high quality staff. The total impact on the finances of the District will continue to be extremely challenging as California continues to rank close to last in the nation in funding schools on a per student basis while still requiring high standards. Projected STRS and PERS increases over the next seven years at minimum without salary increases or additional staffing will be approximately $2.5 million dollars. Adequacy of funding will be one of the most important issues for the District into the future.

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 Mr. Bill Young, Assistant Superintendent of Business Services, at Orcutt Union School District, 500 Dyer Street, Orcutt, California, 93455, or e-mail at byoung@orcutt-schools.net.

ORCUTT UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Deposits and investments	$ 43,256,411
Receivables	2,795,369
Stores inventories	27,894
Capital assets:	
Land and construction in process	3,286,673
Capital assets being depreciated	54,043,159
Capital assets, net of accumulated depreciation	(26,959,606)
Total Capital Assets	30,370,226
Total Assets	76,449,900
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to net other postemployment benefits (OPEB)	59,829
Deferred outflows of resources related to pensions	14,060,539
Total Deferred Outflows of Resources	14,120,368
LIABILITIES	
Accounts payable	3,394,218
Interest payable	135,357
Unearned revenue	91,567
Long-term obligations:	
Current portion of long-term obligations other than pensions	1,785,000
Noncurrent portion of long-term obligations other than pensions	31,881,319
Total Long-Term Obligations	33,666,319
Aggregate net pension liability	50,701,808
Total Liabilities	87,989,269
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to net other postemployment benefits (OPEB)	676,599
Deferred inflows of resources related to pensions	4,025,104
Total Deferred Inflows of Resources	4,701,703
NET POSITION	
Net investment in capital assets	15,923,855
Restricted for:	
Debt service	3,038,840
Capital projects	5,173,251
Educational programs	1,256,427
Other activities	3,217,215
Unrestricted (deficit)	(30,730,292)
Total Net Position (Deficit)	$ (2,120,704)

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

ORCUTT UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 35,654,395	$ 271,684	$ 6,850,760	$ (28,531,951)
Instruction-related activities:				
Supervision of instruction	809,573	15,305	449,540	(344,728)
Instructional library, media, and technology	1,146,297	-	-	(1,146,297)
School site administration	3,346,704	752	19,267	(3,326,685)
Pupil services:				
Home-to-school transportation	1,334,709	-	-	(1,334,709)
Food services	1,894,840	581,181	1,441,717	128,058
All other pupil services	2,569,355	74,600	407,698	(2,087,057)
Administration:				
Data processing	43,068	-	-	(43,068)
All other administration	2,247,146	19,676	115,077	(2,112,393)
Plant services	7,664,547	930	3,624	(7,659,993)
Ancillary services	391,196	13,483	8,320	(369,393)
Community services	904,356	-	-	(904,356)
Interest on long-term obligations	538,025	-	-	(538,025)
Other outgo	1,377,198	76,083	471,617	(829,498)
Total Governmental Activities	$ 59,921,409	$ 1,053,694	$ 9,767,620	(49,100,095)
General revenues and subventions:				
Property taxes, levied for general purposes				15,448,096
Property taxes, levied for debt service				2,512,559
Federal and State aid not restricted to specific purposes				32,487,218
Interest and investment earnings				654,578
Miscellaneous				3,337,124
Subtotal, General Revenues				54,439,575
Change in Net Position				5,339,480
Net Position - Beginning				(7,460,184)
Net Position - Ending				$ (2,120,704)

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

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Charter School Fund	Building Fund
ASSETS			
Deposits and investments	$ 17,957,292	$ 1,739,250	$ 11,791,739
Receivables	2,380,199	83,594	59,031
Due from other funds	360,111	155,736	-
Stores inventories	13,451	-	-
Total Assets	$ 20,711,053	$ 1,978,580	$ 11,850,770
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 1,067,758	$ 73,789	$ 560,273
Due to other funds	161,105	272,012	-
Unearned revenue	33,814	-	-
Total Liabilities	1,262,677	345,801	560,273
Fund Balances:			
Nonspendable	28,951	-	-
Restricted	1,256,427	1,632,779	11,290,497
Assigned	16,713,169	-	-
Unassigned	1,449,829	-	-
Total Fund Balances	19,448,376	1,632,779	11,290,497
Total Liabilities and Fund Balances	$ 20,711,053	$ 1,978,580	$ 11,850,770

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

Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 5,148,168	$ 4,880,651	$ 41,517,100
25,083	241,485	2,789,392
-	5,369	521,216
-	14,443	27,894
$ 5,173,251	$ 5,141,948	$ 44,855,602
$ -	$ 11,395	$ 1,713,215
-	88,099	521,216
-	57,753	91,567
-	157,247	2,325,998
-	14,443	43,394
5,173,251	4,758,633	24,111,587
-	211,625	16,924,794
-	-	1,449,829
5,173,251	4,984,701	42,529,604
$ 5,173,251	$ 5,141,948	$ 44,855,602

ORCUTT UNION SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		**$ 42,529,604**
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	$ 57,329,832	
Accumulated depreciation is	(26,959,606)	
Net Capital Assets		30,370,226
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.		(135,357)
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.		64,285
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is 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	4,810,514	
Net change in proportionate share of net pension liability	1,032,134	
Differences between projected and actual earning on pension plan investments	99,617	
Differences between expected and actual experience in the measurement of the total pension liability	915,751	
Changes of assumptions	7,202,523	
Total Deferred Outflows of Resources Related to Pensions		14,060,539
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is 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	(1,980,369)	
Differences between projected and actual earnings on pension plan investments	(1,484,677)	
Differences between expected and actual experience in the measurement of the total pension liability	(560,058)	
Total Deferred Inflows of Resources Related to Pensions		(4,025,104)

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

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

Deferred inflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year end consist of the differences between expected and actuarial experience.		$ 59,829
Deferred inflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year end consist of changes of assumptions.		(676,599)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(50,701,808)
Long-term obligations at year end consist of:		
General obligation bonds payable	$ 24,910,000	
Premium on issuance	826,868	
Compensated absences (vacations)	158,710	
Net other postemployment benefits (OPEB) liability	7,770,741	
Total Long-Term Obligations		(33,666,319)
Total Net Position (Deficit) - Governmental Activities		**$ (2,120,704)**

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

ORCUTT UNION SCHOOL DISTRICT

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

	General Fund	Charter School Fund	Building Fund
REVENUES			
Local Control Funding Formula	$ 38,793,739	$ 7,165,996	$ -
Federal sources	1,898,090	-	-
Other State sources	6,564,264	704,446	-
Other local sources	4,800,374	394,005	240,063
Total Revenues	52,056,467	8,264,447	240,063
EXPENDITURES			
Current			
Instruction	30,963,718	4,048,062	-
Instruction-related activities:			
Supervision of instruction	2,445,690	225,043	-
Instructional library, media, and technology	1,094,331	77,439	-
School site administration	2,629,537	715,846	-
Pupil services:			
Home-to-school transportation	1,230,540	83,768	-
Food services	-	-	-
All other pupil services	2,218,473	302,220	-
Administration:			
All other administration	1,178,516	1,536,520	-
Plant services	4,255,923	613,715	-
Ancillary services	122,112	266,341	-
Community services	943,323	-	-
Other outgo	1,377,198	-	-
Facility acquisition and construction	892,322	-	3,720,081
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	49,351,683	7,868,954	3,720,081
Excess (Deficiency) of Revenues Over Expenditures	2,704,784	395,493	(3,480,018)
Other Financing Sources (Uses)			
Transfers in	47,087	-	-
Transfers out	-	(57,955)	-
Net Financing Sources (Uses)	47,087	(57,955)	-
NET CHANGE IN FUND BALANCES	2,751,871	337,538	(3,480,018)
Fund Balance - Beginning	16,696,505	1,295,241	14,770,515
Fund Balance - Ending	$ 19,448,376	$ 1,632,779	$ 11,290,497

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

Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ 45,959,735
-	1,302,741	3,200,831
-	330,369	7,599,079
738,748	3,238,534	9,411,724
738,748	4,871,644	66,171,369
-	190,567	35,202,347
-	5,398	2,676,131
-	-	1,171,770
-	13,983	3,359,366
-	-	1,314,308
-	1,924,892	1,924,892
-	-	2,520,693
23,819	73,253	2,812,108
-	44,397	4,914,035
-	-	388,453
-	-	943,323
-	-	1,377,198
-	-	4,612,403
-	725,000	725,000
-	707,587	707,587
23,819	3,685,077	64,649,614
714,929	1,186,567	1,521,755
-	10,868	57,955
-	-	(57,955)
-	10,868	-
714,929	1,197,435	1,521,755
4,458,322	3,787,266	41,007,849
$ 5,173,251	$ 4,984,701	$ 42,529,604

ORCUTT UNION SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds		**$ 1,521,755**
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 capital outlays exceeds depreciation in the period.		
Capital outlay	$ 3,458,777	
Depreciation expense	(1,788,808)	
Net Expense Adjustment		1,669,969
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). Vacation used was more than the amounts earned by $92,875.		92,875
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(1,944,634)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		3,089,347
Repayment of debt is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds		725,000
Supplemental early retirement program		136,500
Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normal paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances.		
Amortization of debt premium		29,532
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		3,530
An internal service fund is used by the District's management to charge the costs of the service insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		15,606
Change in Net Position of Governmental Activities		**$ 5,339,480**

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

ORCUTT UNION SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 1,739,311
Receivables	5,977
Total Current Assets	$ 1,745,288
LIABILITIES	
Current Liabilities	
Accounts payable	$ 1,681,003
Net Position	
Restricted	$ 64,285

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

ORCUTT UNION SCHOOL DISTRICT

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

	Governmental Activities - Internal Service Fund
NONOPERATING REVENUES	
Interest income	$ 15,606
Change in Net Position	15,606
Total Net Position - Beginning	48,679
Total Net Position - Ending	$ 64,285

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

ORCUTT UNION SCHOOL DISTRICT

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

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash paid for employee benefits	$ 6,814,168
Cash payments to other suppliers of goods or services	(6,778,043)
Net Cash Provided By Operating Activities	36,125
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	15,606
Net Increase in Cash and Cash Equivalents	51,731
Cash and Cash Equivalents - Beginning	1,687,580
Cash and Cash Equivalents - Ending	$ 1,739,311
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	$ -
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Receivables	(779)
Accrued liabilities	36,904
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 36,125

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

ORCUTT UNION SCHOOL DISTRICT

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

	Agency Funds
ASSETS	
Deposits and investments	$ 47,467
LIABILITIES	
Due to student groups	$ 47,467

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Orcutt Union School District (the District) was established in 1884 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K -12 as mandated by the State and/or Federal agencies. The District operates eight elementary schools, with grades kindergarten through eight, and one charter school, with grades kindergarten through twelve.

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 Orcutt Union School District, this includes general operations, food service, and student related activities of the District.

Other Related Entities

Charter School The District has an approved Charter for Orcutt Academy Charter pursuant to *Education Code* Section 47605. The Orcutt Academy Charter is operated by the District, and its financial activities are presented in the Charter School special revenue fund.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

One fund currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, and Fund 20, Special Reserve Fund for Postemployment Benefits, is not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of $7,436,713.

Charter School Fund The Charter School Fund may be used by authorizing districts to account separately for the activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

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

Non-Major Governmental Funds

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

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

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

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

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

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for, and the retirement 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).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service.

Internal Service Fund Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates an internal service fund that is used to account for the District's risk management activities.

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. 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 asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary 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. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using the 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 reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial 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. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. 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 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 entity-wide statements.

Cash and Cash Equivalents

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

Investments

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

Stores Inventories

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

Capital Assets and Depreciation

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

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is 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.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using 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, 5 to 20 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 and business-type activities columns of the statement of net position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported 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.

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 governmental 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 governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums and Discounts

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

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

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 pension related items and for OPEB related items.

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

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

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $12,685,733 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are cost of reimbursement from employees. Operating expenses are necessary costs incurred to provide the good 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.

Interfund Activity

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

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 and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type activities.

Estimates

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

Property Tax

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

Change in Accounting Principles

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

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

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

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

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

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

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

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

New Accounting Pronouncements

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

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

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

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. Management is evaluating the impact of the adoption of this standard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	$ 43,256,411
Fiduciary funds	47,467
Total Deposits and Investments	$ 43,303,878

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

Cash on hand and in banks	$ 3,679,415
Cash in revolving	15,500
Investments	39,608,963
Total Deposits and Investments	$ 43,303,878

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Reported Amount	Weighted Average Maturity in Days
Santa Barbara County Investment Pool	$ 39,608,963	289

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. Presented below is the minimum rating required by the *California Government Code*, the District's investment policy, or debt agreements, and the actual rating as of the year end for each investment type.

Investment Type	Minimum Legal	Fitch Rating	Reported Amount
Santa Barbara County Investment Pool	Not required	AA/AAA	$ 39,608,963

Custodial Credit Risk - Deposits

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

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 reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

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

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

Investment Type	Reported Amount	Uncategorized
Santa Barbara County Investment Pool	$ 39,608,963	$ 39,608,963

NOTE 4 - RECEIVABLES

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

	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total
Federal Government							
Categorical aid	$ 1,656,046	$ -	$ -	$ -	$ 183,235	$ -	$ 1,839,281
State Government							
Categorical aid	387,270	31,310	-	-	35,189	-	453,769
Lottery	222,111	40,916	-	-	-	-	263,027
Local Government							
Interest	82,969	11,368	59,031	25,083	22,937	5,754	207,142
Other Local Sources	31,803		-	-	124	223	32,150
Total	$ 2,380,199	$ 83,594	$ 59,031	$ 25,083	$ 241,485	$ 5,977	$ 2,795,369

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 1,878,255	$ -	$ -	$ 1,878,255
Construction in Progress		1,408,418	-	1,408,418
Total Capital Assets Not Being Depreciated	1,878,255	1,408,418	-	3,286,673
Capital Assets Being Depreciated:				
Buildings and Improvements	42,605,723	1,019,809	-	43,625,532
Furniture and Equipment	9,469,867	1,030,550	82,790	10,417,627
Total Capital Assets Being Depreciated	52,075,590	2,050,359	82,790	54,043,159
Total Capital Assets	53,953,845	3,458,777	82,790	57,329,832
Less Accumulated Depreciation:				
Buildings and Improvements	19,388,100	1,002,591	-	20,390,691
Furniture and Equipment	5,865,488	786,217	82,790	6,568,915
Total Accumulated Depreciation	25,253,588	1,788,808	82,790	26,959,606
Governmental Activities Capital Assets, Net	$ 28,700,257	$ 1,669,969	$ -	$ 30,370,226

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Plant maintenance	$ 1,788,808

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2019, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

	Due From			
Due To	General Fund	Charter School Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 272,012	$ 88,099	$ 360,111
Charter School Fund	155,736	-	-	155,736
Non-Major Governmental Funds	5,369	-	-	5,369
Total	$ 161,105	$ 272,012	$ 88,099	$ 521,216

The balance of $155,736 is due to the Charter School Fund from the General Fund for charter in lieu of property taxes and LCFF.

The balance of $272,012 is due to the General Fund from the Charter School Fund for charter school fees, transportation costs, and retirement transfer.

A balance of 66,864 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for indirect and fuel costs.

All remaining balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

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

The Charter School Fund transferred to the General Fund for postretirement benefits.	$ 57,955
The General Fund transferred to the Cafeteria Non-Major Governmental Fund to clear student bad debts.	10,868
Total	$ 68,823

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Charter School Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total
Vendor payables	$ 970,475	$ 51,057	$ -	$ 9,416	$ -	$ 1,030,948
Salaries and benefits	80,339	16,853	-	1,979	1,681,003	1,780,174
Construction	-	-	560,273	-	-	560,273
Due to grantor	16,944	5,879	-		-	22,823
Total	$ 1,067,758	$ 73,789	$ 560,273	$ 11,395	$ 1,681,003	$ 3,394,218

NOTE 8 - UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 32,614	$ -	$ 32,614
State categorical aid	1,200	57,753	58,953
Total	$ 33,814	$ 57,753	$ 91,567

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	$ 25,635,000	$ -	$ 725,000	$ 24,910,000	$ 1,785,000
Premium on issuance	856,400	-	29,532	826,868	-
Compensated absences	251,585	-	92,875	158,710	-
Supplemental Early Retirement Plan	136,500	-	136,500	-	-
Net other postemployment benefits (OPEB) liability	11,476,858	-	3,706,117	7,770,741	-
	$ 38,356,343	$ -	$ 4,690,024	$ 33,666,319	$ 1,785,000

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments for Compensated absences are typically liquidated in the fund in which the employee worked. Payments on the Supplemental Early Retirement Plan are made from the General Fund. Payments for net other postemployment benefits (OPEB) liability are made from the General Fund and the fund in which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Issued	Redeemed	Bonds Outstanding June 30, 2019
2012	2/1/2031	2.00%-4.00%	$ 4,150,000	$ 3,030,000	$ -	$ 200,000	$ 2,830,000
2012	8/1/2029	2.00%-3.50%	1,525,000	1,110,000	-	85,000	1,025,000
2015	8/1/2031	3.25%	7,415,000	6,285,000	-	440,000	5,845,000
2018	8/1/2047	3.25%-5.00%	15,210,000	15,210,000	-	-	15,210,000
				$ 25,635,000	$ -	$ 725,000	$ 24,910,000

Debt Service Requirements to Maturity

Fiscal Year	Principal	Interest to Maturity	Total
2020	$ 1,785,000	$ 918,956	$ 2,703,956
2021	1,515,000	852,887	2,367,887
2022	790,000	811,562	1,601,562
2023	810,000	787,424	1,597,424
2024	850,000	761,932	1,611,932
2025-2029	5,040,000	3,340,005	8,380,005
2030-2034	2,470,000	2,525,862	4,995,862
2035-2039	2,555,000	2,030,831	4,585,831
2040-2044	4,215,000	1,351,200	5,566,200
2045-2048	4,880,000	407,100	5,287,100
	$ 24,910,000	$ 13,787,759	$ 38,697,759

2012 General Obligation Refunding Bond Series A In March 2012, the District issued $4,150,000 in Election of 2012, Series A General Obligation Refunding Bonds. Proceeds of the Bonds were used to refund the District's outstanding General Obligation Bonds 1999 Election, Series C. The Bonds mature on February 1, 2031, with interest rates ranging from 2.00 to 4.00 percent.	$ 2,830,000
2012 General Obligation Refunding Bond Series B In March 2012, the District issued $1,525,000 in 2012 General Obligation Refunding Bonds, Series B. Proceeds from the Bonds were used to advance refund all or a portion of three outstanding series of general obligation bonds which were originally issued by the former Los Alamos School District. The Bonds mature August 1, 2029, with interest rates ranging from 2.00 percent to 3.50 percent.	1,025,000
2015 General Obligation Refunding Bonds In May 2015, the District issued $6,285,000 in 2015 General Obligation Refunding Bonds. Proceeds from the Bonds were used to advance refund a portion of the District's outstanding General Obligation Bonds. The Bonds mature August 1, 2031, with an interest rate of 3.25%.	5,845,000
2016 General Obligation Bonds In June 2018, the District issued $15,210,000 in 2016 General Obligation Bonds, Series A. Proceeds from the Bonds were used to finance the acquisition, construction, modernization, and equipping of District sites and facilities. The Bonds mature August 1, 2047, with interest rates ranging from 3.25 percent to 5.00 percent.	15,210,000
Subtotal bonds outstanding	24,910,000
Unamortized premium on 2016 General Obligation Bonds, Series A	826,868
	$ 25,736,868

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to $158,710.

Net Other Postemployment Benefits (OPEB) Liability

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

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 7,482,519	$ 59,829	$ 676,599	$ (3,677,059)
Medicare Premium Payment (MPP) Program	288,222	-	-	(29,058)
Total	$ 7,770,741	$ 59,829	$ 676,599	$ (3,706,117)

The details of each plan are as follows:

District Plan

Plan Administration

The California Public Employees' Retirement System (CalPERS) administers the District's Postemployment Benefits Plan (the Plan) by maintaining the assets provided and payment at the direction of the District. The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. Financial information for CalPERS can be found on the CalPERS website at: https://calpers.ca.gov/pages/formspublications.

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits payments	30
Active employees	292
	322

Benefits Provided

The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, Orcutt Educators Association, the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, Orcutt Educators Association, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District contributed $4,077,328 to the Plan, of which $662,926 was used for current premiums and $3,414,402 was used to fund the OPEB Trust.

Net OPEB Liability of the District

The District's net OPEB liability of $7,482,519 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The components of the net OPEB liability of the District as of June 30, 2018, was as follows:

Total OPEB liability	$ 10,907,493
Plan fiduciary net position	(3,424,974)
District's net OPEB liability	$ 7,482,519
Plan fiduciary net position as a percentage of the total OPEB liability	31.40%

Actuarial Assumptions

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

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	5.00 percent
Healthcare cost trend rates	4 percent for 2019

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

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

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018	$ 11,159,578	$ -	$ 11,159,578
Service cost	641,330	-	641,330
Interest	557,439	-	557,439
Expected investment income	-	85,360	(85,360)
Employer contributions to trust	-	3,414,402	(3,414,402)
Employer contributions as benefit payments		662,926	(662,926)
Actual benefits payments from employer	(623,589)	(662,926)	39,337
Investment gains/losses	-	(74,788)	74,788
Changes of assumptions	(787,928)	-	(787,928)
Benefit payments	(39,337)	-	(39,337)
Administrative expense	-	-	-
Net change in total OPEB liability	(252,085)	3,424,974	(3,677,059)
Balance at June 30, 2019	$ 10,907,493	$ 3,424,974	$ 7,482,519

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

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

Discount Rate	Total OPEB Liability
1% decrease (4.00%)	$ 8,019,133
Current discount rate (5.00%)	7,482,519
1% increase (6.00%)	6,898,379

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.0%)	$ 6,941,350
Current healthcare cost trend rate (4.0%)	7,482,519
1% increase (5.0%)	8,155,829

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

For the year ended June 30, 2019, the District recognized OPEB expense of $(3,677,059). At June 30, 2019, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 59,829	$ -
Changes of assumptions	-	676,599
Total	$ 59,829	$ 676,599

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ (96,370)
2021	(96,370)
2022	(96,370)
2023	(96,377)
2024	(111,329)
Thereafter	(119,954)
	$ (616,770)

Medicare Premium Payment (MPP) Program

Plan Description

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

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

Benefits Provided

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of $288,222 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, was 0.0753 percent and 0.0754, respectively, resulting in a net decrease in the proportionate share of 0.0001 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of ($29,058).

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	$ 318,788
Current discount rate (3.87%)	288,222
1% increase (4.87%)	260,623

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

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

Medicare Cost Trend Rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 262,830
Current Medicare cost trend rates (3.7% Part A and 4.1% Part B)	288,222
1% increase (4.7% Part A and 5.1% Part B)	315,532

NOTE 10 - FUND BALANCES

Fund balances composed of the following elements:

	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	$ 15,500	$ -	$ -	$ -	$ -	$ 15,500
Stores inventories	13,451	-	-	-	14,443	27,894
Total Nonspendable	28,951	-	-	-	14,443	43,394
Restricted						
Legally restricted programs	1,256,427	1,632,779	-	-	1,584,436	4,473,642
Capital projects	-	-	11,290,497	5,173,251	-	16,463,748
Debt services	-	-	-	-	3,174,197	3,174,197
Total Restricted	1,256,427	1,632,779	11,290,497	5,173,251	4,758,633	24,111,587
Assigned						
Capital projects	-	-		-	211,625	211,625
Other assignments	16,713,169	-	-	-	-	16,713,169
Total Assigned	16,713,169	-	-	-	211,625	16,924,794
Unassigned						
Reserve for economic uncertainties	1,449,829	-	-	-	-	1,449,829
Total	$ 19,448,376	$ 1,632,779	$ 11,290,497	$ 5,173,251	$ 4,984,701	$ 42,529,604

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District contracted with SISCII for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2019, the District participated in the SIPE, an insurance purchasing pool. The intent of the SIPE is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SIPE. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the name of SIPE. Each participant pays its workers' compensation premium based on its individual rate.

Employee Medical Benefits

The District has contracted with the SISCIII to provide employee health benefits. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 38,556,718	$ 10,776,537	$ 3,847,049	$ 4,460,451
CalPERS	12,145,090	3,284,002	178,055	2,294,697
Total	$ 50,701,808	$ 14,060,539	$ 4,025,104	$ 6,755,148

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

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

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

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were $3,654,577.

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

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

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 38,556,718
State's proportionate share of the net pension liability associated with the District	22,075,524
Total	$ 60,632,242

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, was 0.0420 percent and 0.0417 percent, respectively, resulting in a net increase in the proportionate share of 0.0003 percent.

For the year ended June 30, 2019, the District recognized pension expense of $4,460,451. In addition, the District recognized pension expense and revenue of $2,593,376 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,654,577	$ -
Net change in proportionate share of net pension liability	1,012,507	1,802,314
Differences between projected and actual earnings on pension plan investments	-	1,484,677
Differences between expected and actual experience in the measurement of the total pension liability	119,563	560,058
Changes of assumptions	5,989,890	-
Total	$ 10,776,537	$ 3,847,049

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 322,366
2021	(233,917)
2022	(1,245,586)
2023	(327,540)
Total	$ (1,484,677)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 989,897
2021	989,897
2022	989,896
2023	798,055
2024	964,109
Thereafter	27,734
Total	$ 4,759,588

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 56,481,080
Current discount rate (7.10%)	38,556,718
1% increase (8.10%)	23,695,683

California Public Employees Retirement System (CalPERS)

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were $1,155,937.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $12,145,090. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, was 0.0456 percent and 0.0455 percent, respectively, resulting in a net increase in the proportionate share of 0.0001 percent.

For the year ended June 30, 2019, the District recognized pension expense of $2,294,697. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,155,937	$ -
Net change in proportionate share of net pension liability	19,627	178,055
Differences between projected and actual earnings on pension plan investments	99,617	-
Differences between expected and actual experience in the measurement of the total pension liability	796,188	-
Changes of assumptions	1,212,633	-
Total	$ 3,284,002	$ 178,055

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 362,328
2021	86,647
2022	(277,674)
2023	(71,684)
Total	$ 99,617

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 821,334
2021	765,019
2022	264,040
Total	$ 1,850,393

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 17,682,671
Current discount rate (7.15%)	12,145,090
1% increase (8.15%)	7,550,875

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $3,519,462 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–19 contribution on behalf of school employers of $2.246 billion for CalSTRS and $904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule.*

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

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

Construction Commitments

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

Measure G Projects	Remaining Construction Commitment	Expected Date of Completion
Ralph Dunlap School Site Safety and Security Project	$ 858,161	2019-2020
Patterson Road School Site Safety and Security Project	287,233	2019-2020
Olga Reed School Site Safety and Security Project	309,011	2019-2020
Olga Reed Cafeteria Modernization and Alteration	1,000,000	2020-2021
Orcutt Academy High School Restroom Modernization	1,000,000	2020-2021
Orcutt Academy HS Office Modernization and		
Orcutt JHS School Site Safety and Security Project	1,500,000	2020-2021
Pine Grove School Site Safety and Security Project	2,000,000	2020-2021
Lakeview JHS Site Safety and Security Project	1,000,000	2020-2021
Innovation Center	4,000,000	2020-2021
Joe Nightingale School Site Safety and Security Project	1,000,000	2020-2021
Full-Day Kindergarten Facilities Modernization	3,000,000	2020-2021
Orcutt JHS Walk-In Modernization	1,000,000	2020-2021
	$ 16,954,405	

NOTE 14 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The Orcutt Union School District participates in three joint ventures under joint powers agreements (JPAs): the Self-Insurance Program for Employees, the Self-Insured Schools of California II, and the Self-Insured Schools of California III. The relationships between the Orcutt Union School District and the JPAs are such that none of the JPAs are a component unit of the Orcutt Union School District for financial reporting purposes.

The JPAs are independently accountable for their fiscal matters. The insurance groups maintain their own accounting records. Budgets are not subject to any approval other than of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

Self-Insurance Program for Employees (SIPE)

SIPE was established to provide the services and other items necessary and appropriate for the development, operation, and maintenance of a self-insurance system for workers' compensation claims against the public educational agencies who are members thereof. The participants consist of the Office of the County Superintendent of Schools, school districts, and a community college. Each participant may appoint one representative to the governing board, the governing board is responsible for establishing premium rates and making budgeting decisions.

Self-Insured School of California II (SISC II)

SISC II arranges for and provides property and liability insurance for its member school districts. The Orcutt Union School District pays a premium commensurate with the level of coverage requested.

Self-Insured School of California III (SISC Ill)

SIPE III arranges for and provides health and welfare insurance for its member school districts. The Orcutt Union School District pays a premium commensurate with the level of health and welfare insurance provided.

The District made payments of $290,658, $313,129, and $4,871,840 to SIPE, SISC II, and SISC III, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 37,986,815	$ 38,243,131	$ 38,793,739	$ 550,608
Federal sources	1,807,844	1,697,978	1,898,090	200,112
Other State sources	4,631,185	4,317,027	6,564,264	2,247,237
Other local sources	3,044,552	4,481,812	4,800,374	318,562
Total Revenues [1]	47,470,396	48,739,948	52,056,467	3,316,519
EXPENDITURES				
Current				
Certificated salaries	20,820,813	20,096,226	20,090,285	5,941
Classified salaries	6,909,394	7,030,790	6,992,248	38,542
Employee benefits	11,964,104	11,654,668	13,563,060	(1,908,392)
Books and supplies	3,083,988	2,690,610	2,400,831	289,779
Services and operating expenditures	2,846,812	3,902,853	3,272,448	630,405
Other outgo	1,267,467	1,239,262	2,681,143	(1,441,881)
Capital outlay	259,046	360,400	351,668	8,732
Total Expenditures [1]	47,151,624	46,974,809	49,351,683	(2,376,874)
Excess (Deficiency) of Revenues Over Expenditures	318,772	1,765,139	2,704,784	939,645
Other Financing Sources (Uses)				
Transfers in	-	-	47,087	47,087
Transfers out	(743,472)	(810,914)	-	810,914
Net Financing Sources (Uses)	(743,472)	(810,914)	47,087	858,001
NET CHANGE IN FUND BALANCE	(424,700)	954,225	2,751,871	1,797,646
Fund Balance - Beginning	16,696,505	16,696,505	16,696,505	-
Fund Balance - Ending	$ 16,271,805	$ 17,650,730	$ 19,448,376	$ 1,797,646

[1] Due to the consolidation of Fund 14, Deferred Maintenance Fund and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets. On behalf payments of $3,931,234 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

ORCUTT UNION SCHOOL DISTRICT

CHARTER SCHOOL SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 7,270,110	$ 7,145,278	$ 7,165,996	$ 20,718
Federal sources	3,145	3,145	-	(3,145)
Other State sources	711,844	671,908	704,446	32,538
Other local sources	85,685	264,081	394,005	129,924
Total Revenues	8,070,784	8,084,412	8,264,447	180,035
EXPENDITURES				
Current				
Certificated salaries	3,243,909	3,166,691	3,152,282	14,409
Classified salaries	524,127	519,230	516,680	2,550
Employee benefits	1,574,989	1,592,786	1,553,000	39,786
Books and supplies	516,461	276,800	275,882	918
Services and operating expenditures	2,067,846	2,250,153	2,371,110	(120,957)
Capital outlay	142,581	-	-	-
Total Expenditures	8,069,913	7,805,660	7,868,954	(63,294)
Excess (Deficiency) of Revenues Over Expenditures	871	278,752	395,493	243,329
Other Financing Sources (Uses)				
Transfers out	-	(70,000)	(57,955)	12,045
NET CHANGE IN FUND BALANCE	871	208,752	337,538	128,786
Fund Balance - Beginning	1,295,241	1,295,241	1,295,241	-
Fund Balance - Ending	$ 1,296,112	$ 1,503,993	$ 1,632,779	$ 128,786

See accompanying note to required supplementary information.

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

	2019	2018
Total OPEB Liability		
Service cost	$ 641,330	$ 624,166
Interest	557,439	408,468
Changes of assumptions	(787,928)	-
Benefit payments	(662,926)	(637,429)
Net changes in total OPEB liability	(252,085)	395,205
Total OPEB Liability - beginning	11,159,578	10,764,373
Total OPEB Liability - ending (a)	**$ 10,907,493**	**$ 11,159,578**
Plan Fiduciary Net Position		
Contributions - employer	$ 4,077,328	$ 637,429
Net investment income	85,360	-
Difference between projected and actual earnings on investments	(662,926)	(637,429)
Administrative expense	(74,788)	-
Net change in plan fiduciary net position	$ 3,424,974	$ -
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending (b)	**3,424,974**	**-**
District's net OPEB liability - ending (a) - (b)	**$ 7,482,519**	**$ -**
Plan fiduciary net position as a percentage of the total OPEB liability	**31.40%**	**0.00%**
Covered payroll	**N/A**	**N/A**
District's net OPEB liability as a percentage of covered payroll	**N/A**	**N/A**

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

See accompanying note to required supplementary information.

ORCUTT UNION SCHOOL DISTRICT

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

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.0753%	0.0754%
District's proportionate share of the net OPEB liability	$ 288,222	$ 317,280
District's covered-employee payroll	N/A[1]	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

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

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

See accompanying note to required supplementary information.

ORCUTT UNION SCHOOL DISTRICT

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

	2019	2018	2017
CalSTRS			
District's proportion of the net pension liability	0.0420%	0.0417%	0.0443%
District's proportionate share of the net pension liability	$ 38,556,718	$ 38,523,730	$ 35,807,180
State's proportionate share of the net pension liability associated with the District	22,075,524	22,790,313	20,384,389
Total	$ 60,632,242	$ 61,314,043	$ 56,191,569
District's covered payroll	$ 22,311,247	$ 23,242,234	$ 20,829,795
District's proportionate share of the net pension liability as a percentage of its covered payroll	172.81%	165.75%	171.90%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%
CalPERS			
District's proportion of the net pension liability	0.0456%	0.0455%	0.0477%
District's proportionate share of the net pension liability	$ 12,145,090	$ 10,865,013	$ 9,420,506
District's covered payroll	$ 6,075,848	$ 9,789,446	$ 5,609,300
District's proportionate share of the net pension liability as a percentage of its covered payroll	199.89%	110.99%	167.94%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%

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

See accompanying note to required supplementary information.

	2016	2015
	0.0452%	0.0426%
	$ 30,402,486	$ 24,868,700
	16,079,564	15,016,795
	$ 46,482,050	$ 39,885,495
	$ 20,005,788	$ 23,953,830
	151.97%	103.82%
	74%	77%
	0.0473%	0.0463%
	$ 6,971,325	$ 5,260,178
	$ 5,023,476	$ 5,942,471
	138.77%	88.52%
	79%	83%

ORCUTT UNION SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018	2017
CalSTRS			
Contractually required contribution	$ 3,654,577	$ 3,219,513	$ 2,923,873
Contributions in relation to the contractually required contribution	3,654,577	3,219,513	2,923,873
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 22,448,262	$ 22,311,247	$ 23,242,234
Contributions as a percentage of covered payroll	16.28%	14.43%	12.58%
CalPERS			
Contractually required contribution	$ 1,155,937	$ 943,640	$ 1,359,754
Contributions in relation to the contractually required contribution	1,155,937	943,640	1,359,754
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 6,400,537	$ 6,075,848	$ 9,789,446
Contributions as a percentage of covered payroll	18.06%	15.53%	13.89%

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

See accompanying note to required supplementary information.

2016		2015	
$	2,235,037	$	1,776,514
	2,235,037		1,776,514
$	-	$	-
$	20,829,795	$	20,005,788
	10.73%		8.88%
$	664,702	$	591,263
	664,702		591,263
$	-	$	-
$	5,609,300	$	5,023,476
	11.85%		11.77%

ORCUTT UNION SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedules

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

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

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

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

	Expenditures and Other Uses		
Fund	Budget	Actual	Excess
General Fund	$ 47,785,723	$ 49,351,683	$ 1,565,960
Charter Fund	$ 7,875,660	$ 7,926,909	$ 51,249

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

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. 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 valuation.

Changes of Assumptions **–** Changes of assumptions reflect a change in the discount rate from 3.80 percent in 2018 to 5.00 percent in 2019.

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

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

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

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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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

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

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

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

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

ORCUTT UNION SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title II, Part A - Supporting effective instruction	84.367	14341	$ 94,431
Title III - English Learner Student Program	84.365	14346	105,037
Title I Part A, Basic Grants Low-Income and Neglected	84.010	14329	429,033
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	31,867
Passed through Santa Barbara County Special Education Local Plan Area:			
Special Education Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,145,217
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	38,433
Total Special Education Cluster			1,183,650
Total U.S. Department of Education			1,844,018
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13526	215,048
National School Lunch Program	10.555	13523	875,491
Meals Supplements	10.555	13396	31,558
Food Distribution	10.555	13524	180,644
Total U.S. Department of Agriculture			1,302,741
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	20,327
Total U.S. Department of Health and Human Services			20,327
Total Expenditures of Federal Awards			$ 3,167,086

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

ORGANIZATION

The Orcutt Union School District was established in 1884 and consists of an area comprising approximately 69.69 square miles. The District operates eight elementary schools, with grades kindergarten through eight, and one charter school, with grades kindergarten through twelve. There were no boundary changes during the current year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Lisa Morinini	President	2022
Liz Phillips	Clerk/Secretary	2022
Mark Steller	Member	2022
Shaun Henderson	Member	2022
Melanie Waffle	Member	2022

ADMINISTRATION

NAME	TITLE
Dr. Deborah Blow, Ed.D.	Superintendent
Mr. Walter Con	Assistant Superintendent, Business Services (retired as of June 30, 2019)
Ms. Susan Salucci	Assistant Superintendent, Human Resources
Ms. Holly Edds, Ed.D.	Assistant Superintendent, Educational Services
Mr. Kirby Fell	Chief Technology Officer

See accompanying note to supplementary information.

ORCUTT UNION SCHOOL DISTRICT

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

	Final Report	
	Second Period Report	Annual Report
Orcutt Union School District		
Regular ADA		
Transitional kindergarten through third	1,700.03	1,701.94
Fourth through sixth	1,377.75	1,378.49
Seventh and eighth	1,096.25	1,088.51
Total Regular ADA	4,174.03	4,168.94
Extended Year Special Education		
Transitional kindergarten through third	2.91	2.91
Fourth through sixth	1.53	1.53
Seventh and eighth	0.96	0.96
Total Extended Year Special Education	5.40	5.40
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.98	0.98
Total ADA	4,180.41	4,175.32
Orcutt Academy Charter		
Regular ADA		
Transitional kindergarten through third	78.81	78.99
Fourth through sixth	56.38	56.46
Seventh and eighth	44.39	45.14
Ninth through twelfth	575.78	574.19
Total Regular ADA	755.36	754.78
Classroom based ADA		
Transitional kindergarten through third	59.61	59.58
Fourth through sixth	42.40	42.48
Seventh and eighth	29.04	29.00
Ninth through twelfth	575.78	574.19
Total Classroom Based ADA	706.83	705.25

Orcutt Academy Charter High School operated a non-classroom based independent study instruction program. Determination of funding for non-classroom based independent study is not required due to the total amount of non-classroom based ADA is below 20 percent of total Charter ADA.

See accompanying note to supplementary information.

ORCUTT UNION SCHOOL DISTRICT

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

Orcutt Union School District

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,000	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,575	180	N/A	Complied
Grade 2		50,575	180	N/A	Complied
Grade 3		50,575	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,025	180	N/A	Complied
Grade 5		54,485	180	N/A	Complied
Grade 6		54,485	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		54,815	180	N/A	Complied
Grade 8		54,815	180	N/A	Complied

Orcutt Academy Charter

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	58,200	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		55,500	180	N/A	Complied
Grade 2		55,500	180	N/A	Complied
Grade 3		55,500	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		55,500	180	N/A	Complied
Grade 5		55,500	180	N/A	Complied
Grade 6		55,500	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		55,500	180	N/A	Complied
Grade 8		55,500	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,384	180	N/A	Complied
Grade 10		65,384	180	N/A	Complied
Grade 11		65,384	180	N/A	Complied
Grade 12		65,384	180	N/A	Complied

See accompanying note to supplementary information.

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

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

See accompanying note to supplementary information.

ORCUTT UNION SCHOOL DISTRICT

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

	(Budget) 2020 [1]	2019	2018	2017
GENERAL FUND [3]				
Revenues	$ 47,211,067	$ 50,677,579	$ 46,110,908	$ 44,670,145
Other sources	-	47,087	-	8,187
Total Revenues and Other Sources	47,211,067	50,724,666	46,110,908	44,678,332
Expenditures	46,485,510	48,344,562	43,654,770	43,128,290
Other uses and transfers out	846,769	-	754,984	656,135
Total Expenditures and Other Uses	47,332,279	48,344,562	44,409,754	43,784,425
INCREASE (DECREASE) IN FUND BALANCE	$ (121,212)	$ 2,380,104	$ 1,701,154	$ 893,907
ENDING FUND BALANCE	$ 11,890,451	$ 12,011,663	$ 9,631,559	$ 7,930,405
AVAILABLE RESERVES [2]	$ 1,418,681	$ 1,449,829	$ 1,333,643	$ 1,313,533
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [5]	3.00%	3.26%	3.00%	3.00%
LONG-TERM OBLIGATIONS	N/A	$ 37,091,293	$ 38,356,343	$ 22,563,785
K-12 AVERAGE DAILY ATTENDANCE AT P-2 [4]	4,188	4,180	4,289	4,301

The General Fund balance has increased by $4,081,257 over the past two years. The fiscal year 2019-2020 budget projects a further decrease of $121,212 (1.01 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by $14,527,508 over the past two years.

Average daily attendance has decreased by 127 over the past two years. Additional growth of 14 ADA is anticipated during fiscal year 2019-2020.

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

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

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

[4] Does not include Charter School.

[5] On behalf payments of $3,931,234 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

ORCUTT UNION SCHOOL DISTRICT

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

Name of Charter School	Included in Audit Report
Orcutt Academy Charter (Charter No. 0967)	Yes

See accompanying note to supplementary information.

ORCUTT UNION SCHOOL DISTRICT

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

	Child Development Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay Projects
ASSETS			
Deposits and investments	$ 15,030	$ 1,480,890	$ 224,730
Receivables	22,708	203,462	1,119
Due from other funds	-	5,369	-
Stores inventories	-	14,443	-
Total Assets	$ 37,738	$ 1,704,164	$ 225,849
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 85	$ 8,728	$ 2,582
Due to other funds	9,593	66,864	11,642
Unearned revenue	28,060	29,693	-
Total Liabilities	37,738	105,285	14,224
Fund Balances:			
Nonspendable	-	14,443	-
Restricted	-	1,584,436	-
Assigned	-	-	211,625
Total Fund Balances	-	1,598,879	211,625
Total Liabilities and Fund Balances	$ 37,738	$ 1,704,164	$ 225,849

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ 3,160,001	$ 4,880,651
14,196	241,485
-	5,369
-	14,443
$ 3,174,197	$ 5,141,948
$ -	$ 11,395
-	88,099
-	57,753
-	157,247
-	14,443
3,174,197	4,758,633
-	211,625
3,174,197	4,984,701
$ 3,174,197	$ 5,141,948

ORCUTT UNION SCHOOL DISTRICT

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

	Child Development Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay Projects
REVENUES			
Federal sources	$ -	$ 1,302,741	$ -
Other State sources	218,032	86,614	-
Other local sources	(227)	705,267	4,327
Total Revenues	217,805	2,094,622	4,327
EXPENDITURES			
Current			
Instruction	190,567	-	-
Instruction-related activities:			
Supervision of instruction	5,398	-	-
School site administration	13,983	-	-
Pupil services:			
Food services	-	1,924,892	-
Administration:			
All other administration	8,085	65,168	-
Plant services	84	3,081	41,232
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	218,117	1,993,141	41,232
Excess (Deficiency) of Revenues Over Expenditures	(312)	101,481	(36,905)
Other Financing Sources (Uses)			
Transfers in	-	10,868	-
NET CHANGE IN FUND BALANCES	(312)	112,349	(36,905)
Fund Balances - Beginning	312	1,486,530	248,530
Fund Balances - Ending	$ -	$ 1,598,879	$ 211,625

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ 1,302,741
25,723	330,369
2,529,167	3,238,534
2,554,890	4,871,644
-	190,567
-	5,398
-	13,983
-	1,924,892
-	73,253
-	44,397
725,000	725,000
707,587	707,587
1,432,587	3,685,077
1,122,303	1,186,567
-	10,868
1,122,303	1,197,435
2,051,894	3,787,266
$ 3,174,197	$ 4,984,701

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

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

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 3,200,831
Medi-Cal Billing Option	93.778	(33,745)
Total Schedule of Expenditures of Federal Awards		$ 3,167,086

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 met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

The Charter School is required to comply with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

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

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is 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
Orcutt Union School District
Orcutt, 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 Orcutt Union School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Orcutt Union School District's basic financial statements, and have issued our report thereon dated December 3, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Orcutt 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 Orcutt Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Orcutt 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Orcutt 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*.

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.

Eide Bailly LLP

Rancho Cucamonga, California
December 3, 2019

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

Governing Board
Orcutt Union School District
Orcutt, California

Report on Compliance for Each Major Federal Program

We have audited Orcutt 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 Orcutt Union School District's major Federal programs for the year ended June 30, 2019. Orcutt 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 the Orcutt 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 Orcutt 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 Orcutt Union School District's compliance.

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Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of Orcutt 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 Orcutt 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 Orcutt 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 3, 2019

EideBailly

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Orcutt Union School District
Orcutt, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Orcutt Union School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Orcutt 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 Orcutt Union School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Orcutt Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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

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

We did not perform testing for Independent Study because ADA was below the threshold required for testing.

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

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

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

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

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

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

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

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

The Charter School did not have more than 20 percent of their total ADA generated through Non Classroom-Based Instruction; therefore, we did not perform any related procedures.

The Charter School did not receive funding for Charter School Facility Grant Program; therefore, we did not perform any related procedures.

Eide Bailly LLP

Rancho Cucamonga, California
December 3, 2019

Schedule of Findings and Questioned Costs

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster

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

STATE AWARDS

Type of auditor's report issued on compliance for programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

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

None reported.

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

None reported.

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

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.