

**SAN YSIDRO SCHOOL DISTRICT
COUNTY OF SAN DIEGO
SAN DIEGO, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2015

**Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Ave.
El Cajon, California**

Introductory Section

San Ysidro School District
 Audit Report
 For The Year Ended June 30, 2015

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Financial Section



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

Aubrey W. King, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report

To the Board of Trustees
San Ysidro School District
San Diego, 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 San Ysidro School District ("the District") as of and for the year ended June 30, 2015, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Ysidro School District as of June 30, 2015, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As described in Note A to the financial statements, in 2015, San Ysidro School District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents 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 San Ysidro School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2014-15*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015 on our consideration of San Ysidro 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Ysidro School District's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 15, 2015

**San Ysidro School District
Management's Discussion and Analysis
Fiscal Year 2014-15
(Unaudited)**

Profile of the District

The San Ysidro School District (District) was formed in 1887 and serves the children of the City of San Ysidro and portions of the unincorporated area of San Diego County. The District operates one preschool, four elementary schools, one 4-8 school, one K-8 school and one middle school housing 5003 students.

Management's Discussion and Analysis

This section of San Ysidro School District's annual financial report presents Management's Discussion and Analysis (MD&A) of the District's financial performance during the year ending June 30, 2015. The MD&A is required as an element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. The District implemented GASB 34 in 2001-02. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

Comparisons to the Previous Fiscal Year 2013-14

- In 2014-15, the district's Net Position is \$(18.3) million compared to \$19.6 million in 2013-14 due to implementation of GASB 68 & 71 which recognizes net pension liability.
- In 2014-15, overall revenues were \$58.2 million and expenses were \$60.2 million. The district's expenses exceeded revenues by \$(2.0) million. In 2013-14 the district's overall revenues were \$54.4 million and expenses were \$52 million. Revenues exceeded expenses by \$2.4 million.
- The District enrollment in October 2015 was 5270. This is a decrease of 167 students from October 2014 when the enrollment was at 5103.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements can be found within the audit report.

Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds, and fiduciary funds.

- **Governmental funds** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, building fund, and the blended component unit fund, each of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual data for each of these non-major funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget on page 48 of this report.

- **Fiduciary funds** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the governmental entity. The District maintains an agency fund for associated student body funds. The basic agency fund financial statements can be found within the audit report.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found within the audit report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's stability and financial position. The district's assets exceeded liabilities by \$18.3 million at the close of 2014-15.

| SAN YSIDRO SCHOOL DISTRICT | | |
|--|--|--|
| 2013-14 & 2014-15 NET POSITION | | |
| <i>(In Millions of Dollars)</i> | | |
| | Governmental Activities 2013-2014 | Governmental Activities 2014-2015 |
| Current and Other Assets | \$56.2 | \$45.5 |
| Capital Assets | \$158.9 | \$165.4 |
| Total Assets | \$215.1 | \$210.8 |
| Deferred Outflows of Resources | 3.4 | \$20.9 |
| Long-Term Debt Outstanding | \$193.4 | 238.6 |
| Other Liabilities | \$5.5 | \$3.04 |
| Total Liabilities | \$197.6 | \$241.6 |
| Deferred Inflows of Resources | - | 8.5 |
| Net Position: | | |
| Invested in Capital Assets, Net of Related Debt | \$5.1 | \$(37.6) |
| Restricted | \$49.3 | \$38.1 |
| Unrestricted | \$(34.8) | \$(18.8) |
| Total Net Position | \$19.6 | \$(18.3) |

At the end of the 2014-15, the District is not able to report a positive balance in net assets due to GASB Statement No. 68 & 71 Financial Reporting for Pension Plans.

Governmental Activities. The key elements of the District's net position for the year ended June 30, 2015 are as follows:

**SAN YSIDRO SCHOOL DISTRICT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

| | <u>2013-14</u> | <u>% of Total</u> | <u>2014-15</u> | <u>% of Total</u> |
|---|-----------------------|-------------------|------------------------|-------------------|
| <u>Revenues</u> | | | | |
| Program Revenues | | | | |
| Charges for services | \$ 1,715,627 | 3.15% | \$ 1,654,206 | 2.84% |
| Operating grants and contributions | 10,146,947 | 18.65% | 9,332,257 | 16.05% |
| Capital grants and contributions | - | 0.00% | - | 0.00% |
| General Revenues | | | | |
| Property taxes | 23,501,102 | 43.20% | 23,415,767 | 40.26% |
| Federal and state aid not restricted to specific purposes | 18,801,602 | 34.56% | 23,249,716 | 39.98% |
| Interest and investment earnings | 21,420 | 0.04% | 29,869 | 0.05% |
| Interagency revenues | - | 0.00% | - | 0.00% |
| Miscellaneous | 219,266 | 0.40% | 477,936 | 0.82% |
| Special and extraordinary items | - | 0.00% | - | 0.00% |
| Total Revenues | \$ 54,405,964 | 100.00% | \$ 58,159,751 | 100.00% |
| <u>Expenditures by Function</u> | | | | |
| Governmental Activities | | | | |
| Instruction | \$ 30,605,776 | 53.07% | \$33,032,515 | 54.57% |
| Pupil services | 4,698,106 | 8.15% | 5,077,063 | 8.39% |
| General administration | 4,668,085 | 8.09% | 4,383,893 | 7.24% |
| Plant services | 4,312,947 | 7.48% | 4,908,261 | 8.11% |
| Ancillary services | - | 0.00% | - | 0.00% |
| Community services | - | 0.00% | - | 0.00% |
| Enterprise activities | - | 0.00% | - | 0.00% |
| Interest on long-term debt | 8,655,137 | 15.01% | 7,483,942 | 12.36% |
| Other outgo | 4,735,851 | 8.20% | 5,300,786 | 8.76% |
| Business-type Activities | | | | |
| Enterprise activities | - | 0.00% | - | 0.00% |
| Total Expenditures | \$ 57,675,902 | 100.00% | \$ 60,186,460 | 100.00% |
| Increase (Decrease) in Net Position | \$ (3,269,938) | | \$ (2,026,709) | |
| Net Position - Beginning | \$ 22,892,984 | | \$ (16,318,470) | (Restated) |
| Net Position - Ending | \$ 19,623,046 | | \$ (18,345,179) | |

- The district's total revenue this year increased from \$54.4 million in FY 2014-15 to \$58.1 million in FY 2015-16

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of \$43.5 million, \$8.7 million less than last year's fund balance.

The Governmental Accounting Standard Board (GASB) has issued Statement 54 (GASB 54) that went into effect in fiscal year 2010-11. This statement considerably altered the categories and terminology used to describe the components of the ending fund balance. These changes are intended to enhance how fund balance information is reported by establishing new classifications that are easier to understand. GASB 54 also clarifies the definition of some governmental funds.

Fund balance reporting is unique to governmental fund accounting GASB 54 implements a five-tier fund balance classification based on spending constraints on the use of these resources. The components of the district ending fund balance as of June 30, 2015 were:

**SAN YSIDRO SCHOOL DISTRICT
GOVERNMENTAL FUNDS
COMPONENTS OF ENDING FUND BALANCE
IN ACCORDANCE WITH GASB STATEMENT 54
JUNE 30, 2015**

| | | |
|------------------------------------|------|------------|
| a) Nonspendable | | |
| Revolving Cash | 9711 | 5,477 |
| Stores | 9712 | 108,190 |
| Prepaid Expenditures | 9713 | 3,000 |
| All Others | 9719 | - |
| b) Restricted | 9740 | 38,049,875 |
| c) Committed | | |
| Stabilization Arrangements | 9750 | - |
| Other Commitments | 9760 | - |
| d) Assigned | | |
| Other Assignments | 9780 | - |
| d) Unassigned | | |
| Reserve for Economic Uncertainties | 9789 | 1,311,584 |
| Unassigned/Unappropriated | 9790 | 4,090,991 |

Basic Financial Statements

SAN YSIDRO SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 JUNE 30, 2015

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Cash | \$ 42,875,634 |
| Receivables | 2,464,966 |
| Stores | 108,190 |
| Prepaid Expenses | 3,000 |
| Capital Assets: | |
| Land | 45,896,267 |
| Improvements | 18,013,956 |
| Buildings | 119,628,777 |
| Equipment | 4,047,763 |
| Work in Progress | 15,312,287 |
| Less Accumulated Depreciation | (37,461,767) |
| Total Assets | <u>210,889,073</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>20,938,570</u> |
| LIABILITIES | |
| Accounts Payable and Other Current Liabilities | 2,502,717 |
| Unearned Revenue | 538,069 |
| Long-Term Liabilities: | |
| Due Within One Year | 6,677,097 |
| Due in More Than One Year | 231,977,025 |
| Total Liabilities | <u>241,694,908</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>8,477,914</u> |
| NET POSITION | |
| Net Investment in Capital Assets | (37,625,799) |
| Restricted for: | |
| Capital Projects | 28,842,291 |
| Debt Service | 5,182,476 |
| Educational Programs | 2,691,503 |
| Other Purposes (Expendable) | 1,333,591 |
| Other Purposes (Nonexpendable) | 116,667 |
| Unrestricted | (18,885,908) |
| Total Net Position | <u>\$ (18,345,179)</u> |

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

| Functions | Expenses | Program Revenues | | | Net (Expense) |
|---|----------------------|----------------------|------------------------------------|----------------------------------|-------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position |
| | | | | | Governmental Activities |
| Governmental Activities: | | | | | |
| Instruction | \$ 29,476,925 | \$ 815,241 | \$ 5,543,541 | \$ - | \$ (23,118,143) |
| Instruction-Related Services: | | | | | |
| Instructional Supervision and Administration | 929,349 | 2,380 | 319,633 | - | (607,336) |
| Instructional Library, Media and Technology | 402,106 | - | 193,313 | - | (208,793) |
| School Site Administration | 2,224,135 | 1,236 | 109,019 | - | (2,113,880) |
| Pupil Services: | | | | | |
| Home-to-School Transportation | 749,505 | - | - | - | (749,505) |
| Food Services | 2,214,810 | 16,040 | 2,122,917 | - | (75,853) |
| All Other Pupil Services | 2,112,748 | 5,027 | 582,623 | - | (1,525,098) |
| General Administration: | | | | | |
| Centralized Data Processing | 710,752 | 1,911 | 199 | - | (708,642) |
| All Other General Administration | 3,673,141 | 5,047 | 323,277 | - | (3,344,817) |
| Plant Services | 4,908,261 | 807,324 | 137,735 | - | (3,963,202) |
| Interest on Long-Term Debt | 7,483,942 | - | - | - | (7,483,942) |
| Debt Issue Costs | 690,828 | - | - | - | (690,828) |
| Depreciation (Unallocated)* | 4,609,958 | - | - | - | (4,609,958) |
| Total Expenses | <u>\$ 60,186,460</u> | <u>\$ 1,654,206</u> | <u>\$ 9,332,257</u> | <u>\$ -</u> | <u>\$ (49,199,997)</u> |
| General Revenues: | | | | | |
| Taxes and Subventions: | | | | | |
| Taxes Levied for General Purposes | | | | \$ 14,694,182 | |
| Taxes Levied for Debt Service | | | | 5,693,043 | |
| Taxes Levied for Other Specific Purposes | | | | 3,028,542 | |
| Federal and State Aid Not Restricted to Specific Programs | | | | 23,249,716 | |
| Interest and Investment Earnings | | | | 29,869 | |
| Miscellaneous | | | | 477,936 | |
| Total General Revenues | | | | <u>\$ 47,173,288</u> | |
| Change in Net Position | | | | | (2,026,709) |
| Net Position Beginning - As Restated (See Note R) | | | | | (16,318,470) |
| Net Position Ending | | | | | <u>\$ (18,345,179)</u> |

*This amount excludes depreciation that is included in the direct expenses of various programs.

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

| | General Fund | Building Fund |
|--------------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| ASSETS: | | |
| Cash in County Treasury | \$ 7,856,029 | \$ 25,652,119 |
| Cash on Hand and in Banks | 10,871 | - |
| Cash in Revolving Fund | 5,477 | - |
| Cash with a Fiscal Agent/Trustee | - | - |
| Accounts Receivable | 1,849,493 | 29,137 |
| Due from Other Funds | 219,020 | 75,000 |
| Stores Inventories | 87,837 | - |
| Prepaid Expenditures | 3,000 | - |
| Total Assets | <u>10,031,727</u> | <u>25,756,256</u> |
| LIABILITIES AND FUND BALANCE: | | |
| Liabilities: | | |
| Accounts Payable | \$ 947,921 | \$ 10,660 |
| Due to Grantor Governments | 354,511 | - |
| Due to Other Funds | 834 | - |
| Unearned Revenue | 538,069 | - |
| Total Liabilities | <u>1,841,335</u> | <u>10,660</u> |
| Fund Balance: | | |
| Nonspendable Fund Balances: | | |
| Revolving Cash | 5,477 | - |
| Stores Inventories | 87,837 | - |
| Prepaid Items | 3,000 | - |
| Restricted Fund Balances | 2,691,503 | 25,745,596 |
| Unassigned: | | |
| Reserve for Economic Uncertainty | 1,311,584 | - |
| Other Unassigned | 4,090,991 | - |
| Total Fund Balance | <u>8,190,392</u> | <u>25,745,596</u> |
| Total Liabilities and Fund Balances | <u>\$ 10,031,727</u> | <u>\$ 25,756,256</u> |

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

| <u>Bond Interest & Redemption</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---|---|
| \$ 5,182,476 | \$ 3,626,868 | \$ 42,317,492 |
| - | 478,257 | 489,128 |
| - | - | 5,477 |
| - | 63,537 | 63,537 |
| - | 586,337 | 2,464,967 |
| - | 834 | 294,854 |
| - | 20,353 | 108,190 |
| - | - | 3,000 |
| <u>5,182,476</u> | <u>4,776,186</u> | <u>45,746,645</u> |
| | | |
| \$ - | \$ 31,513 | \$ 990,094 |
| - | - | 354,511 |
| - | 294,020 | 294,854 |
| - | - | 538,069 |
| <u>-</u> | <u>325,533</u> | <u>2,177,528</u> |
| | | |
| - | - | 5,477 |
| - | 20,353 | 108,190 |
| - | - | 3,000 |
| 5,182,476 | 4,430,300 | 38,049,875 |
| - | - | 1,311,584 |
| - | - | 4,090,991 |
| <u>5,182,476</u> | <u>4,450,653</u> | <u>43,569,117</u> |
| | | |
| \$ <u>5,182,476</u> | \$ <u>4,776,186</u> | \$ <u>45,746,645</u> |

SAN YSIDRO SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances - governmental funds balance sheet \$ 43,569,117

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

| | | |
|--|--------------|-------------|
| Capital assets relating to governmental activities, at historical cost | 202,899,050 | |
| Accumulated depreciation | (37,461,767) | |
| Net | | 165,437,283 |

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. Unamortized debt insurance costs included in deferred outflows of resources on the statement of net position are: 1,105,585

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was: (1,158,113)

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

| | | |
|---------------------------------------|-------------|---------------|
| General obligation bonds payable | 161,973,961 | |
| Certificates of participation payable | 39,313,711 | |
| Other general long term debt | 3,040,765 | |
| Net pension liability | 31,627,453 | |
| Net OPEB obligation payable | 2,384,772 | |
| Compensated absences payable | 313,460 | |
| Total | | (238,654,122) |

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods.

| | |
|---|-------------|
| Deferred outflows of resources relating to pensions | 5,634,921 |
| Deferred inflows of resources relating to pensions | (8,477,914) |

Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was: 14,198,064

Net position of governmental activities - statement of net position \$ (18,345,179)

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

| | General Fund | Building Fund |
|--|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Revenues: | | |
| LCFF Sources: | | |
| State Apportionment or State Aid | \$ 15,641,908 | \$ - |
| Education Protection Account Funds | 6,592,295 | - |
| Local Sources | 14,694,183 | - |
| Federal Revenue | 2,323,100 | - |
| Other State Revenue | 2,519,765 | - |
| Other Local Revenue | 3,777,953 | 142,134 |
| Total Revenues | <u>45,549,204</u> | <u>142,134</u> |
| Expenditures: | | |
| Instruction | 29,208,733 | - |
| Instruction - Related Services | 3,460,962 | - |
| Pupil Services | 2,855,940 | - |
| General Administration | 3,116,406 | - |
| Plant Services | 4,556,968 | 11,415,745 |
| Other Outgo | 29,226 | 933,132 |
| Debt Service: | | |
| Principal | 467,899 | 30,153,921 |
| Interest | - | 15,899,322 |
| Total Expenditures | <u>43,696,134</u> | <u>58,402,120</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>1,853,070</u> | <u>(58,259,986)</u> |
| Other Financing Sources (Uses): | | |
| Transfers In | - | - |
| Transfers Out | (23,317) | - |
| Proceeds From Sale of Bonds | - | 45,643,442 |
| Other Sources | - | 1,342,933 |
| Total Other Financing Sources (Uses) | <u>(23,317)</u> | <u>46,986,375</u> |
| Net Change in Fund Balance | 1,829,753 | (11,273,611) |
| Fund Balance, July 1 | 6,360,639 | 37,019,207 |
| Fund Balance, June 30 | <u>\$ 8,190,392</u> | <u>\$ 25,745,596</u> |

The accompanying notes are an integral part of this statement.

| Bond Interest & Redemption | Other Governmental Funds | Total Governmental Funds |
|----------------------------------|--------------------------------|--------------------------------|
| \$ - | \$ - | \$ 15,641,908 |
| - | - | 6,592,295 |
| - | - | 14,694,183 |
| - | 2,176,885 | 4,499,985 |
| 22,536 | 1,101,711 | 3,644,012 |
| 5,675,807 | 3,527,065 | 13,122,959 |
| <u>5,698,343</u> | <u>6,805,661</u> | <u>58,195,342</u> |
| - | 930,725 | 30,139,458 |
| - | 211,609 | 3,672,571 |
| - | 2,346,976 | 5,202,916 |
| - | 213,811 | 3,330,217 |
| - | 95,825 | 16,068,538 |
| - | - | 962,358 |
| 3,155,000 | 998,630 | 34,775,450 |
| 2,010,996 | 1,783,038 | 19,693,356 |
| <u>5,165,996</u> | <u>6,580,614</u> | <u>113,844,864</u> |
| <u>532,347</u> | <u>225,047</u> | <u>(55,649,522)</u> |
| - | 2,551,355 | 2,551,355 |
| - | (2,528,038) | (2,551,355) |
| - | - | 45,643,442 |
| - | - | 1,342,933 |
| <u>-</u> | <u>23,317</u> | <u>46,986,375</u> |
| 532,347 | 248,364 | (8,663,147) |
| 4,650,129 | 4,202,289 | 52,232,264 |
| <u>\$ 5,182,476</u> | <u>\$ 4,450,653</u> | <u>\$ 43,569,117</u> |

SAN YSIDRO SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds \$ (8,663,147)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

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

| | | |
|---------------------------------|--------------------|-----------|
| Expenditures for Capital Outlay | 11,324,242 | |
| Depreciation Expense | <u>(4,609,958)</u> | |
| Net | | 6,714,284 |

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 34,775,450

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (46,986,375)

Debt issue costs for prepaid debt insurance: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt insurance costs are amortized over the life of the debt. The difference between debt insurance costs recognized in the current period and insurance costs amortized for the period is:

| | | |
|----------------------------------|------------------|-----------|
| Prepaid debt insurance incurred | 317,771 | |
| Prepaid debt insurance amortized | <u>(601,602)</u> | |
| Net | | (283,831) |

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: (88,929)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from a prior period, was: 562,677

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: 9,934

Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was: 1,471,070

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (474,583)

Other liabilities not normally liquidated with current financial resources: In the government wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were: (1,265,355)

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium and discount or deferred gain or loss from debt refunding, for the period is: 12,202,096

Change in net position of governmental activities - statement of activities \$ (2,026,709)

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2015

| | Agency Fund |
|---------------------------|-------------------------|
| | Student Body Fund |
| ASSETS: | |
| Cash on Hand and in Banks | \$ 20,373 |
| Total Assets | <u>20,373</u> |
| LIABILITIES: | |
| Due to Student Groups | \$ 20,373 |
| Total Liabilities | <u>20,373</u> |
| NET POSITION: | |
| Total Net Position | <u><u>\$ -</u></u> |

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

A. Summary of Significant Accounting Policies

San Ysidro School District (District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the district has two component units which have been included as blended component units.

San Ysidro School District Financing Corporation: The corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State in 2001. The corporation was formed for the sole purpose of providing financial assistance to the District by acquiring, constructing, financing, selling and leasing public facilities, land, personal property and equipment for the use and benefit of the District. The District leases certain school facilities from the corporation under various lease purchase agreements.

Community Facilities Districts (CFDs): The district has established three CFDs. The CFDs are authorized to levy special taxes on parcels of taxable property within the CFDs to pay the principal and interest on the certificates of participation.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Building Fund. This 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. Other authorized revenues to the Building Fund (Fund 21) are proceeds from the sale or lease with option-to-purchase of real property (Education Code Section 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (Education Code Section 41003).

Bond Interest and Redemption Fund. This fund is used for the repayment of bonds issued for an LEA (Education Code sections 15125 & 15262). Typically, the board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund (Fund 21) of the LEA. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund (Fund 51) of the LEA. The county auditor maintains control over the LEA's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

In addition, the District reports the following fund types:

Special Revenue Funds. Special revenue funds are established 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 and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Capital Projects Funds. Capital projects funds are established 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).

Debt Service Funds. Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Encumbrances

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

4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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 year or 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 60 days. However, to achieve comparability of reporting among California districts and so as to not 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 are transactions in which the District receives value without directly giving equal value in return, including 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.

b. 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 government-wide financial statements.

6. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury was not available.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|--------------------------|-------------------------------|
| Buildings & Improvements | 25-50 |
| Furniture & Equipment | 5-20 |
| Vehicles | 8 |

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

e. 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.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

i. Minimum Fund Balance

The District has adopted a policy to maintain a minimum economic uncertainty reserve of at least 3% of total general fund expenditures and other financing uses. The reserve may be increased from time to time in order to address specific anticipated revenue or cash flow shortfalls. It is the District's intent to continuously sustain a 3% economic uncertainty reserve. The primary purpose of this reserve is to avoid the need for service level reductions in the event of economic downturn. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

7. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

| | |
|-------------------------|-------------------------------|
| Valuation Date (VD) | June 30, 2013 |
| Measurement Date (MD) | June 30, 2014 |
| Measurement Period (MP) | July 1, 2013 to June 30, 2014 |

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

10. Change in Accounting Policies

In June, 2012 the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions -- an Amendment of GASB No. 27," which is effective for fiscal years beginning after June 15, 2014. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

The Statement requires numerous new pension disclosures in the notes to the financial statements and two new 10-year schedules as required supplementary information. Also, for the first time the District is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions and a net pension liability for its proportionate shares of the collective pension expense, collective deferred outflows of resources and deferred inflows of resources related to pensions and collective net pension liability. The reporting of these new amounts on the government-wide financial statements, along with the effect of the restatement of the beginning net position, if any, will also affect the District's government-wide net position.

In November, 2013 the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68". This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

| <u>Violation</u> | <u>Action Taken</u> |
|------------------|---------------------|
| None reported | Not applicable |

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

| <u>Fund Name</u> | <u>Deficit Amount</u> | <u>Remarks</u> |
|------------------|-----------------------|----------------|
| None reported | Not applicable | Not applicable |

C. Excess of Expenditures Over Appropriations

As of June 30, 2015, expenditures exceeded appropriations in individual funds as follows:

| <u>Appropriations Category</u> | <u>Excess Expenditures</u> |
|--------------------------------|----------------------------|
| General Fund: | |
| Employee Benefits | \$ 844,811 |
| Other Outgo | 28,420 |
| Debt Service | 467,899 |

General Fund: The district did not initially budget for payments made by the state of California on behalf of district employees for contributions to CalSTRS. In accordance with GASB Statement No. 24 these amounts have been included as both revenue and expenses.

The district combined budget lines for other outgo, direct support/indirect costs, and debt service.

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$42,317,492 as of June 30, 2015). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$42,317,492. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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 investments in the pool is reported in the accounting financial statements as 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 the 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.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$509,501 as of June 30, 2015) and in the revolving fund (\$5,477) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2015 are shown below.

| Investment or Investment Type | Average Days to Maturity | Amount Reported | Fair Value |
|-------------------------------|--------------------------|-----------------|------------|
| U.S. Treasury Obligations | <30 Days | \$ 63,537 | \$ 63,537 |
| Total Investments | | \$ 63,537 | \$ 63,537 |

4. 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 | N/A | None | None |
| Joint Powers Authority Pools | N/A | None | None |

5. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The San Diego County Investment Pool is rated AAA by Standard and Poors.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having value of 105% of the secured deposits.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in 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 manages its exposure to interest rate risk by investing in the county pool.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

5. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

E. Accounts Receivable

As of June 30, 2015, Accounts Receivable consisted of:

| | Major Governmental Funds | | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------|--------------------------|------------------|-----------------------------------|--------------------------------|
| | General Fund | Building Fund | | |
| Federal Government | | | | |
| Federal Programs | \$ 1,215,261 | \$ - | \$ 302,273 | \$ 1,517,534 |
| State Government | | | | |
| LCFF State Aid | - | - | - | - |
| Lottery | 436,290 | - | - | 436,290 |
| Categorical Programs | - | - | - | - |
| Special Education | 162,308 | - | - | 162,308 |
| Other State Programs | 1,692 | - | 149,723 | 151,415 |
| Local Sources | | | | |
| Interest | 8,809 | 29,137 | 2,880 | 40,826 |
| Other Local Sources | 25,133 | - | 131,461 | 156,594 |
| Total | \$ 1,849,493 | \$ 29,137 | \$ 586,337 | \$ 2,464,967 |

There are no significant receivables which are not scheduled for collection within one year of year end.

F. Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|--------------|-----------|--------------------|
| <u>Governmental activities:</u> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 45,896,267 | \$ - | \$ - | \$ 45,896,267 |
| Work in progress | 3,993,174 | 11,319,113 | - | 15,312,287 |
| Total capital assets not being depreciated | 49,889,441 | 11,319,113 | - | 61,208,554 |
| Capital assets being depreciated: | | | | |
| Buildings | 119,628,776 | 1 | - | 119,628,777 |
| Improvements | 18,073,171 | - | 59,215 | 18,013,956 |
| Equipment | 4,381,446 | 5,130 | 338,813 | 4,047,763 |
| Total capital assets being depreciated | 142,083,393 | 5,131 | 398,028 | 141,690,496 |
| Less accumulated depreciation for: | | | | |
| Buildings | (22,580,659) | (3,356,322) | - | (25,936,981) |
| Improvements | (7,119,973) | (1,078,747) | - | (8,198,720) |
| Equipment | (3,460,274) | (174,889) | (309,097) | (3,326,066) |
| Total accumulated depreciation | (33,160,906) | (4,609,958) | (309,097) | (37,461,767) |
| Total capital assets being depreciated, net | 108,922,487 | (4,604,827) | 88,931 | 104,228,729 |
| Governmental activities capital assets, net | \$ 158,811,928 | \$ 6,714,286 | \$ 88,931 | \$ 165,437,283 |

Depreciation was charged to functions as follows:

| | |
|--------------------------|---------------------|
| Unallocated Depreciation | \$ 4,609,958 |
| | <u>\$ 4,609,958</u> |

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2015, consisted of the following:

| Due To Fund | Due From Fund | Amount | Purpose |
|---------------|------------------------|-------------------|-------------------------|
| General Fund | Child Development Fund | \$ 834 | Workers Compensation |
| General Fund | Child Development Fund | 71,816 | Indirect Costs |
| General Fund | Child Development Fund | 10,183 | OPEB |
| General Fund | Cafeteria Fund | 127,166 | Indirect Costs |
| General Fund | Cafeteria Fund | 9,855 | OPEB |
| Building Fund | Child Development Fund | 75,000 | Temporary Cash Transfer |
| | Total | <u>\$ 294,854</u> | |

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2015, consisted of the following:

| Transfers From | Transfers To | Amount | Reason |
|-----------------------|-------------------|---------------------|--------------|
| General Fund | Cafeteria Fund | \$ 23,317 | Contribution |
| Capital Projects Fund | Debt Service Fund | 2,528,038 | Debt Service |
| | Total | <u>\$ 2,551,355</u> | |

H. Accounts Payable

As of June 30, 2015, accounts payable consisted of:

| | Major Governmental Funds | | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------------------|--------------------------|------------------|-----------------------------|--------------------------|
| | General Fund | Building Fund | | |
| Vendor payables | \$ 483,721 | \$ 10,660 | \$ 7,668 | \$ 502,049 |
| Payroll and related liabilities | 266,078 | | 12,018 | 278,096 |
| Pension related liabilities | 198,122 | - | 11,827 | 209,949 |
| Total | <u>\$ 947,921</u> | <u>\$ 10,660</u> | <u>\$ 31,513</u> | <u>\$ 990,094</u> |

I. Unearned Revenue

As of June 30, 2015, unearned revenue consisted of:

| | General Fund |
|---|-------------------|
| Federal Government Categorical Programs | \$ 537,569 |
| State Government Categorical Programs | 500 |
| Total | <u>\$ 538,069</u> |

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

J. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

K. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2015, are as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|--------------------------------------|-----------------------|----------------------|----------------------|-----------------------|-----------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 148,685,944 | \$ 51,269,587 | \$ 37,981,570 | \$ 161,973,961 | 4,015,303 |
| Certificates of participation | 39,986,582 | 66,478 | 739,349 | 39,313,711 | 829,349 |
| Other general long term debt | 2,496,939 | 1,265,355 | 721,529 | 3,040,765 | 1,518,985 |
| Net OPEB obligation | 1,910,189 | 815,741 | 341,158 | 2,384,772 | - |
| Net pension liability | 39,642,712 | - | 8,015,259 | 31,627,453 | |
| Compensated absences * | 323,394 | - | 9,934 | 313,460 | 313,460 |
| Total governmental activities | \$ 233,045,760 | \$ 53,417,161 | \$ 47,808,799 | \$ 238,654,122 | \$ 6,677,097 |

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

| Liability | Activity Type | Fund |
|----------------------|---------------|--------------|
| Compensated absences | Governmental | General Fund |

2. Debt Service Requirements

Debt service requirements on long-term debt, net of certificates of participation, premium, discount, net pension liability, and net OPEB obligation as of June 30, 2015, are as follows:

| Year Ending June 30, | Governmental Activities | | | |
|----------------------|-------------------------|----------------------|-----------------------|-----------------------|
| | Principal | Interest | Accreted Interest | Total |
| 2016 | \$ 4,933,630 | \$ 3,205,933 | \$ - | \$ 8,139,563 |
| 2017 | 5,183,630 | 3,163,475 | - | 8,347,105 |
| 2018 | 5,026,476 | 2,970,575 | 737,154 | 8,734,205 |
| 2019 | 5,359,044 | 2,809,153 | 859,586 | 9,027,783 |
| 2020 | 5,724,371 | 2,634,142 | 994,259 | 9,352,772 |
| 2021-2025 | 32,859,231 | 10,616,076 | 8,518,029 | 51,993,336 |
| 2026-2030 | 30,209,357 | 6,104,575 | 26,410,643 | 62,724,575 |
| 2031-2035 | 26,759,037 | 3,413,393 | 39,915,963 | 70,088,393 |
| 2036-2040 | 23,932,874 | 1,155,537 | 54,502,126 | 79,590,537 |
| 2041-2045 | 18,936,210 | 7,620 | 76,698,790 | 95,642,620 |
| 2046-2050 | 17,808,397 | - | 78,221,603 | 96,030,000 |
| Totals | \$ 176,732,257 | \$ 36,080,479 | \$ 286,858,153 | \$ 499,670,889 |

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

3. General Obligation Bonds

General obligation bonds as of June 30, 2015, consisted of:

| | Date of Issue | Interest Rate | Maturity Date | Amount of Original Issue |
|------------------------|---------------|---------------|---------------|--------------------------|
| 1997 Election Series A | 08/01/1997 | 3.80 - 5.30% | 08/01/2021 | \$ 10,590,000 |
| 1997 Election Series C | 09/01/2004 | 3.50 - 6.00% | 08/01/2029 | 15,875,000 |
| 1997 Election Series D | 02/01/2005 | 3.00 - 4.25% | 08/01/2029 | 24,619,362 |
| 1997 Election Series E | 11/15/2007 | 4.00 - 5.00% | 08/01/2032 | 33,952,740 |
| 1997 Election Series F | 06/28/2011 | 2.00 - 10.9% | 08/01/2050 | 17,599,623 |
| 1997 Election Series G | 05/31/2012 | 5.45 - 12.0% | 08/01/2041 | 28,990,884 |
| 2012 Refunding Bonds | 06/27/2012 | 0.50 - 5.00% | 08/01/2029 | 29,860,000 |
| 2015 Refunding Bonds | 06/03/2015 | 2.00 - 5.43% | 08/01/2048 | 45,643,442 |
| Total GO Bonds | | | | <u>\$ 207,131,051</u> |

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--------------------------|-----------------------|----------------------|----------------------|-----------------------|
| 1997 Election Series D | \$ 17,534,363 | \$ - | \$ 1,150,000 | \$ 16,384,363 |
| 1997-D Bond Premium | 314,000 | - | 19,624 | 294,376 |
| 1997-D Accreted Interest | 9,406,623 | 1,335,194 | - | 10,741,817 |
| 1997 Election Series E | 32,422,741 | - | 15,740,000 | 16,682,741 |
| 1997-E Bond Premium | 515,663 | - | 335,514 | 180,149 |
| 1997-E Accreted Interest | 5,259,923 | 1,022,805 | - | 6,282,728 |
| 1997 Election Series F | 15,599,623 | - | 15,018,921 | 580,702 |
| 1997-F Bond Premium | 1,005,534 | - | 930,240 | 75,294 |
| 1997-F Accreted Interest | 3,436,690 | 85,668 | 3,252,752 | 269,606 |
| 1997 Election Series G | 28,990,884 | - | - | 28,990,884 |
| 1997-G Bond Premium | 861,537 | - | 30,770 | 830,767 |
| 1997-G Accreted Interest | 2,843,394 | 1,839,545 | - | 4,682,939 |
| 2012 Refunding Bonds | 28,835,000 | - | 1,400,000 | 27,435,000 |
| 2012 Bond Premium | 1,659,969 | - | 103,749 | 1,556,220 |
| 2015 Refunding Bonds | - | 45,643,442 | - | 45,643,442 |
| 2015 Bond Premium | - | 1,342,933 | - | 1,342,933 |
| Total GO Bonds | <u>\$ 148,685,944</u> | <u>\$ 51,269,587</u> | <u>\$ 37,981,570</u> | <u>\$ 161,973,961</u> |

The annual requirements to amortize the bonds outstanding at June 30, 2015, are as follows:

| Year Ending June 30, | Principal | Interest | Accreted Interest | Total |
|----------------------|-----------------------|----------------------|-----------------------|-----------------------|
| 2016 | \$ 3,845,000 | \$ 1,455,386 | \$ - | \$ 5,300,386 |
| 2017 | 4,005,000 | 1,449,644 | - | 5,454,644 |
| 2018 | 3,747,846 | 1,298,044 | 737,154 | 5,783,044 |
| 2019 | 3,975,414 | 1,182,544 | 859,586 | 6,017,544 |
| 2020 | 4,270,741 | 1,057,544 | 994,259 | 6,322,544 |
| 2021-2025 | 24,516,971 | 3,674,732 | 8,518,029 | 36,709,732 |
| 2026-2030 | 21,209,357 | 620,602 | 26,410,643 | 48,240,602 |
| 2031-2035 | 16,174,037 | - | 39,915,963 | 56,090,000 |
| 2036-2040 | 17,720,723 | - | 53,874,277 | 71,595,000 |
| 2041-2045 | 18,443,646 | - | 75,991,354 | 94,435,000 |
| 2046-2050 | 17,808,397 | - | 78,221,603 | 96,030,000 |
| Totals | <u>\$ 135,717,132</u> | <u>\$ 10,738,496</u> | <u>\$ 285,522,868</u> | <u>\$ 431,978,496</u> |

Amounts for accreted interest in the table represent amounts accrued as of year end. Amounts for accreted interest in the repayment schedule represent total payments of accreted interest over the life of the bonds.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

4. Certificates of Participation (COPs)

Certificates of Participation (COPs) as of June 30, 2015, consisted of:

| | Date of Issue | Interest Rate | Maturity Date | Amount of Original Issue |
|------------|---------------|---------------|---------------|--------------------------|
| 1998 COPs | 09/23/1998 | 3.90 - 6.75% | 09/01/2023 | \$ 3,050,000 |
| 2001 COPs | 05/15/2001 | 4.50 - 6.50% | 09/01/2030 | 7,075,000 |
| 2005 COPs | 01/06/2005 | 2.50 - 5.00% | 09/01/2034 | 17,000,000 |
| 2007 COPs | 11/29/2007 | 3.50 - 4.75% | 09/01/2037 | 7,330,000 |
| 2012 COPs | 01/31/2012 | 2.00 - 6.20% | 09/01/2041 | 10,409,715 |
| Total COPs | | | | <u>\$ 44,864,715</u> |

| | Beginning Balance | Increases | Decreases | Ending Balance |
|-----------------------------|----------------------|------------------|-------------------|----------------------|
| 1998 COPs | \$ 1,695,000 | \$ - | \$ 140,000 | \$ 1,555,000 |
| 2001 COPs | 5,720,000 | - | 225,000 | 5,495,000 |
| 2001 COPs Discount | (14,342) | - | (844) | (13,498) |
| 2005 COPs | 15,320,000 | - | 295,000 | 15,025,000 |
| 2005 COPs Discount | (74,296) | - | (3,538) | (70,758) |
| 2007 COPs | 7,000,000 | - | 75,000 | 6,925,000 |
| 2007 COPs Premium | 624 | - | 26 | 598 |
| 2012 COPs | 10,249,715 | - | 10,000 | 10,239,715 |
| 2012 COPs Discount | (36,235) | - | (1,295) | (34,940) |
| 2012 COPs Accreted Interest | 126,116 | 66,478 | - | 192,594 |
| Total COPs | <u>\$ 39,986,582</u> | <u>\$ 66,478</u> | <u>\$ 739,349</u> | <u>\$ 39,313,711</u> |

The annual requirements to amortize the COPs outstanding at June 30, 2015, are as follows:

| Year Ending June 30, | Principal | Interest | Accreted Interest | Total |
|----------------------|----------------------|----------------------|---------------------|----------------------|
| 2016 | \$ 835,000 | \$ 1,750,547 | \$ - | \$ 2,585,547 |
| 2017 | 925,000 | 1,713,831 | - | 2,638,831 |
| 2018 | 1,025,000 | 1,672,531 | - | 2,697,531 |
| 2019 | 1,130,000 | 1,626,609 | - | 2,756,609 |
| 2020 | 1,200,000 | 1,576,598 | - | 2,776,598 |
| 2021-2025 | 7,835,000 | 6,941,344 | - | 14,776,344 |
| 2026-2030 | 9,000,000 | 5,483,973 | - | 14,483,973 |
| 2031-2035 | 10,585,000 | 3,413,393 | - | 13,998,393 |
| 2036-2040 | 6,212,151 | 1,155,537 | 627,849 | 7,995,537 |
| 2041-2045 | 492,564 | 7,620 | 707,436 | 1,207,620 |
| Totals | <u>\$ 39,239,715</u> | <u>\$ 25,341,983</u> | <u>\$ 1,335,285</u> | <u>\$ 65,916,983</u> |

Amounts for accreted interest in the table represent amounts accrued as of year end. Amounts for accreted interest in the repayment schedule represent total payments of accreted interest over the life of the debt.

On September 23, 1998, the District issued \$3,050,000 Certificates of Participation pursuant to a lease agreement with the San Ysidro School District Financing Corporation for the purpose of a school facilities project. The certificates consist of: a) Serial 1998 Certificates of \$2,110,000 with interest rates ranging from 3.9% to 6.75% and fully maturing on September 1, 2018; and, b) Term 1998 Certificates of \$940,000 with a stated interest rate of 4.6% and fully maturing on September 1, 2023.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

On May 15, 2001 the District issued \$7,075,000 Certificates of Participation pursuant to a lease agreement with the San Ysidro School District Financing Corporation for the purpose of a school facilities project. The certificates consist of: a) Serial 2001 Certificates of \$2,115,000 with interest rates ranging From 4.5% to 6.5% and fully maturing on September 1, 2016; b) Term 2001 Certificates of \$1,310,000 with a stated interest rate of 5.125% and fully maturing on September 1,2020; c) Term 2001 Certificates of \$2,255,000 with a stated interest rate of 5.21% and fully maturing on September 1,2025; and, d) Term 2001 Certificates of \$1,395,000 with a stated interest rate of 5.2% and fully maturing on September 1, 2030.

On January 6, 2005 the District issued \$17,000,000 Certificates of Participation pursuant to a lease agreement with the San Ysidro School District Financing Corporation for the purpose of a school facilities project. The certificates consist of: a) Serial 2005 Certificates of \$14,925,000 with interest rates ranging from 2.5% to 4.625% and fully maturing on September 1, 2032, and b) Term 2005 Certificates of \$2,075,000 with a stated interest rate of 5.0% and fully maturing on September 1, 2034.

On November 29, 2007 the District issued \$7,330,000 Certificates of Participation pursuant to a lease agreement with the San Ysidro School District Financing Corporation for the purpose of a school facilities project. The certificates consist of a) Serial 2007 Certificates of \$2,940,000 with interest rates ranging from 3.5% to 3.875% and fully maturing on September 1, 2028, and b) Term 2007 Certificates of \$1,715,000 and \$2,675,000 with stated interest rates of 4.625% and 4.750% and fully maturing on September 1, 2032 and September 1, 2037 .

On January 31, 2012 the District issued \$10,409,715 in Certificates of Participation pursuant to a lease agreement with the San Ysidro School District Financing Corporation for the purpose of a school facilities project. The certificates consist of a) current interest certificates of \$9,480,000 with interest rates ranging from 2.0% to 5.0% and fully maturing on September 1, 2038; and b) convertible capital appreciation certificates of \$929,715 which are accreting at a rate of 6.2% until September 1, 2026 at which time they convert to current interest bonds with a stated interest rate of 6.2% and fully maturing on September 1, 2041.

5. Other General Long Term Debt

Other general long term debt as of June 30, 2015, consisted of:

| | Date of Issue | Interest Rate | Maturity Date | Amount of Original Issue |
|------------------|----------------------|---------------------|-------------------|--------------------------------|
| QZAB Bonds | 10/14/2005 | N/A | 10/27/2021 | \$ 5,000,000 |
| SERP Retirement | 06/09/2011 | N/A | 07/01/2015 | 2,339,495 |
| PARS Retirement | 06/10/2015 | N/A | 08/01/2015 | 1,265,355 |
| Total Other GLTD | | | | <u>\$ 8,604,850</u> |
| | Beginning Balance | Increases | Decreases | Ending Balance |
| QZAB Bonds | \$ 2,029,040 | \$ - | \$ 253,630 | \$ 1,775,410 |
| SERP Retirement | 467,899 | - | 467,899 | - |
| PARS Retirement | - | 1,265,355 | - | 1,265,355 |
| Total Other GLTD | <u>\$ 2,496,939</u> | <u>\$ 1,265,355</u> | <u>\$ 721,529</u> | <u>\$ 3,040,765</u> |

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The annual requirements to amortize other general long term debt is as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Accreted Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|-----------------|--------------------------|---------------------|
| 2016 | \$ 1,518,985 | \$ - | \$ - | \$ 1,518,985 |
| 2017 | 253,630 | - | - | 253,630 |
| 2018 | 253,630 | - | - | 253,630 |
| 2019 | 253,630 | - | - | 253,630 |
| 2020 | 253,630 | - | - | 253,630 |
| 2021-2025 | 507,260 | - | - | 507,260 |
| Totals | \$ 3,040,765 | \$ - | \$ - | \$ 3,040,765 |

On October 14, 2005, the District issued \$5,000,000 in Qualified Zone Academy Bonds (QZABs) to provide funds to finance certain capital improvements, equipment and other educational development programs of the District. The District is required to make a scheduled deposit of \$253,630 each year through the maturity date of October 27, 2021. Accumulated interest earned on the account provides the additional funding required to pay the bonds in full upon maturity. The escrow account accrues interest at a fixed rate of 5.51%. As of June 30, 2015 the escrow account carried an accrued balance of \$1,760,974. The District does not have a legal right to claim cash in the escrow account and is not obligated to make payments in excess of the scheduled deposit amounts.

In 2010-11, the District offered its classified and certificated employees to participate in a one-time Supplemental Early Retirement Plan (SERP). A SERP is a program designated to create incentives that effectively and efficiently increase and accelerate the retirement rate, in excess of the natural attrition rate in order to generate fiscal savings as a result of the salary differential of a retiring employee and new hire, while factoring in the District cost of the incentive.

There were a total of 33 employees who elected to participate in the plan. Under this five-year plan the District will contribute annually to an annuity from Mutual of Omaha to provide supplemental income to early retirees. The total amount of expected premium installments to be paid by the District is \$2,339,495. The District made the final payment on the retirement plan in the 2014-15 fiscal year.

On June 10, 2015 the District offered a one time PARS early retirement incentive. The District initially entered into a five year payment plan for the incentive for the amount of \$1,265,355. Subsequent to year end the district decided to pay the balance in full. As such the entire balance is reflected as a payment due within one year.

6. Debt Issue Premium or Discount

Debt issue premium arises when the market rate of interest is higher than the stated interest rate on the debt. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the debt and then be amortized over the life of the debt. The premium is being amortized over the life of the debt using the straight line method.

Debt issue discount arises when the market rate of interest is lower than the stated interest rate on the debt. Generally Accepted Accounting Principles (GAAP) require that the discount decrease the face value of the debt and then be amortized over the life of the debt. The discount is being amortized over the life of the debt using the straight line method.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The following debt instruments were issued at a premium or at a discount resulting in effective interest as follows:

| | Bonds 1997 Series D | Bonds 1997 Series E | Bonds 1997 Series F | Bonds 1997 Series G | Bonds 2012 Ref. |
|-------------------------|------------------------|------------------------|------------------------|------------------------|--------------------|
| Total Interest | \$ 30,814,643 | \$ 43,043,707 | \$ 213,389,044 | \$ 88,034,116 | \$ 9,538,616 |
| Less Premium | (594,306) | (723,738) | (1,090,083) | (925,828) | (1,867,466) |
| Plus Discount | - | - | - | - | - |
| Net Interest | <u>30,220,337</u> | <u>42,319,969</u> | <u>212,298,961</u> | <u>87,108,288</u> | <u>7,671,150</u> |
| Par Amount of COPs | \$ 24,619,363 | \$ 33,952,741 | \$ 17,599,623 | \$ 28,990,884 | \$ 29,860,000 |
| Periods | 25 | 25 | 39 | 30 | 18 |
| Effective Interest Rate | 4.91% | 4.99% | 30.93% | 10.02% | 1.43% |

| | Bonds 2015 Ref. |
|-------------------------|--------------------|
| Total Interest | \$ 128,956,075 |
| Less Premium | (1,342,933) |
| Plus Discount | - |
| Net Interest | <u>127,613,142</u> |
| Par Amount of COPs | \$ 45,643,442 |
| Periods | 34 |
| Effective Interest Rate | 8.22% |

| | COPS 1998 | COPS 2001 | COPS 2005 | COPS 2007 | COPS 2012 |
|-------------------------|------------------|------------------|-------------------|------------------|-------------------|
| Total Interest | \$ 2,155,055 | \$ 6,835,504 | \$ 15,698,912 | \$ 7,118,495 | \$ 10,853,144 |
| Less Premium | - | - | - | (930) | - |
| Plus Discount | 30,500 | 25,905 | 107,484 | - | 39,620 |
| Net Interest | <u>2,185,555</u> | <u>6,861,409</u> | <u>15,806,396</u> | <u>7,117,565</u> | <u>10,892,764</u> |
| Par Amount of COPs | \$ 3,050,000 | \$ 7,075,000 | \$ 17,000,000 | \$ 7,330,000 | \$ 10,409,715 |
| Periods | 25 | 30 | 30 | 30 | 30 |
| Effective Interest Rate | 2.87% | 3.23% | 3.10% | 3.24% | 3.49% |

7. Refunding Bond

On June 3, 2015 the district issued refunding bonds for a partial refunding of 1997 Election Series E bonds and a full refunding of 1997 Election Series F Bonds. The refunding resulted in an economic gain as follows:

| | |
|---|---------------|
| Dated Date | 06/03/15 |
| Delivery Date | 06/03/15 |
| Arbitrage Yield | 5.150313% |
| Escrow Yield | 1.724928% |
| Bond Par Amount | \$ 45,643,442 |
| Par Amount of Refunded Bonds | 30,153,921 |
| Value of Refunded bonds on 6/3/2015 | 35,353,453 |
| Average coupon of refunded bonds | 7.166009% |
| Average life of refunded bonds | 19 |
| Remaining weighted average maturity of refunded bonds | 19 |
| Present Value of Prior Debt to 6/3/2015 at 5.150313% | 58,843,033 |
| Net Present Value Savings | \$ 12,174,429 |

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

L. Deferred Outflows of Resources

In 2012 the District issued refunding bonds to repay a portion of the 1997 Election Series A and 1997 Election Series B Bonds. The refunding resulted in a loss on refunding of \$2,245,472 which is recorded as a deferred outflow of resources and amortized over 18 years (the life of the bonds).

The District prepaid debt insurance when issuing the 1997 Election Series F Bonds, the 1997 Election Series G Bonds, the 2012 Refunding Bonds, the 2007 Certificates of Participation, and the 2012 Certificates of Participation. In accordance with GASB Statement No. 65 the prepaid debt insurance is recorded as a deferred outflow of resources and amortized over the life of the debt.

Consistent with the requirements of GASB Statement No. 71 contributions to pension plans that occur after the measurement date are recorded as deferred outflows of resources.

A summary of the deferred outflows of resources as of June 30, 2015, are as follows:

| Description | Amortization Term | Beginning Balance | Current Year Additions | Current Year Amortization | Ending Balance |
|--------------------------------------|-------------------|---------------------|------------------------|---------------------------|----------------------|
| 2012 Refunding Loss | 18 Years | \$ 1,995,968 | \$ - | \$ 124,748 | \$ 1,871,220 |
| 2015 Refunding Loss | 34 Years | - | 12,326,844 | - | 12,326,844 |
| Prepaid Insurance - 1997 Series F | 40 Years | 683,760 | - | 630,777 | 52,983 |
| Prepaid Insurance - 1997 Series G | 30 Years | 415,072 | - | 14,824 | 400,248 |
| Prepaid Insurance - 2012 Ref. | 18 Years | 112,080 | - | 7,005 | 105,075 |
| Prepaid Insurance - 2015 Ref. | 34 Years | - | 317,771 | - | 317,771 |
| Prepaid Insurance - 2007 COPs | 30 Years | 80,304 | - | 3,346 | 76,958 |
| Prepaid Insurance - 2012 COPs | 30 Years | 158,200 | - | 5,650 | 152,550 |
| Pension Related | | <u>3,701,196</u> | <u>5,634,921</u> | <u>3,701,196</u> | <u>5,634,921</u> |
| Total Deferred Outflows of Resources | | <u>\$ 7,146,580</u> | <u>\$ 18,279,536</u> | <u>\$ 4,487,546</u> | <u>\$ 20,938,570</u> |

M. Joint Ventures (Joint Powers Agreements)

The District participates in one joint venture under a joint powers agreement (JPA), the San Diego County Schools Risk Management JPA (SDCSRMS). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and provides workers' compensation, health, and property and liability insurance for its member school districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

The Districts share of combined unaudited financial information for the year ended June 30, 2015 is as follows:

| | SDCSR (Unaudited) June 30, 2015 |
|----------------------------|---------------------------------------|
| Total Assets | \$ 2,051,212 |
| Total Liabilities | 2,285,277 |
| Total Fund Balance | \$ <u>(234,065)</u> |
| | |
| Total Revenues | \$ 1,202,918 |
| Total Expenses | 1,252,719 |
| Net Change in Fund Balance | \$ <u>(49,801)</u> |

The District had a deficit in fund balance for the Worker's Compensation Fund. The District is working on an agreement with the JPA to fund the deficits through a payment plan. The terms of that payment plan have not yet been determined.

N. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Provided

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

| | CalSTRS | | CalPERS | |
|---|------------------------|-----------------------------|------------------------|-----------------------------|
| | Before Jan. 1, 2013 | On or After Jan. 1, 2013 | Before Jan. 1, 2013 | On or After Jan. 1, 2013 |
| Hire Date | | | | |
| Benefit Formula | 2% at 60 | 2% at 62 | 2% at 55 | 2% at 62 |
| Benefit Vesting Schedule | 5 Years | 5 Years | 5 Years | 5 Years |
| Benefit Payments | Monthly for Life | Monthly for Life | Monthly for Life | Monthly for Life |
| Retirement Age | 50-62 | 55-67 | 50-62 | 52-67 |
| Monthly benefits, as a % of eligible compensation | 1.1 - 2.4% | 1.0 - 2.4%* | 1.1 - 2.5% | 1.0 - 2.5% |
| Required employee contribution rates (Average) | 8.000% | 8.000% | 6.974.% | 6.974.% |
| Required employer contribution rates | 8.250% | 8.250% | 11.442% | 11.442% |

*Amounts are limited to 120% of Social Security Wage Base.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

c. Contributions - CalPERS

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. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.442% of annual payroll.

d. Contributions - CalSTRS

For the measurement period ended June 30, 2014 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 8% of the creditable compensation upon which members' contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 8.25% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

e. On Behalf Payments.

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2014 (measurement date) the State contributed 5.204002% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

f. Contributions Recognized and Pension Expense

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

| | CalSTRS | CalPERS |
|---|---------------------|---------------------|
| Contributions - Employer | \$ 954,310 | \$ 750,716 |
| Contributions - Employee (paid by employer) | 950,717 | 464,396 |
| Contributions - State On Behalf Payments | 581,057 | - |
| Total Contributions | <u>\$ 2,486,084</u> | <u>\$ 1,215,112</u> |

Pension expense was recognized as follows:

| | CalSTRS | CalPERS |
|--|---------------------|---------------------|
| Change in Net Pension Liability | \$ (5,460,045) | \$ (2,555,214) |
| Net Difference between Projected and Actual Earnings on Plan Investments | 6,043,800 | 2,434,114 |
| Total Contributions | 2,486,084 | 1,215,112 |
| Total Pension Expense | <u>\$ 3,069,839</u> | <u>\$ 1,094,012</u> |

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

| | Proportionate Share of Net Pension Liability |
|-----------------------------|--|
| CalSTRS | \$ 24,543,534 |
| CalPERS | 7,083,919 |
| Total Net Pension Liability | <u>\$ 31,627,453</u> |

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. Although a valid comparison of the District's proportion at June 30, 2014 to its proportion at June 30, 2013 is not available in the first year of implementation of GASB Statement No. 68, that disclosure will be available in subsequent years.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

| | CalSTRS | CalPERS |
|------------------------------|----------------|----------------|
| Proportion - June 30, 2013 | <u>0.0420%</u> | <u>0.0624%</u> |
| Proportion - June 30, 2014 | <u>0.0420%</u> | <u>0.0624%</u> |
| Change - Increase (Decrease) | <u>-</u> | <u>-</u> |

For the year ended June 30, 2015, the District recognized pension expense of \$4,163,851. At June 30, 2015, 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 | \$ 5,634,921 | \$ - |
| Differences between actual and expected experience | - | - |
| Changes in assumptions | - | - |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | - | - |
| Net difference between projected and actual earnings on plan investments | - | (8,477,914) |
| Total | <u>\$ 5,634,921</u> | <u>\$ (8,477,914)</u> |

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

\$5,634,921 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30 | |
|-----------------------|-----------------------|
| 2016 | \$ (2,119,479) |
| 2017 | (2,119,479) |
| 2018 | (2,119,478) |
| 2019 | (2,119,478) |
| Total | <u>\$ (8,477,914)</u> |

a. Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

| | CalSTRS | CalPERS |
|---------------------------|---|---------------------|
| Valuation Date | June 30, 2013 | June 30, 2013 |
| Measurement Date | June 30, 2014 | June 30, 2014 |
| Actuarial Cost Method | Entry Age - Normal Cost Method for both CalSTRS & CalPERS | |
| Actuarial Assumptions: | | |
| Discount Rate | 7.6% | 7.5% |
| Inflation | 3.0% | 2.75% |
| Payroll Growth | 3.75% | 3.00% |
| Projected Salary Increase | 0.05%-5.6% (1) | 3.20%-10.80% (1) |
| Investment Rate of Return | 7.6% (2) | 7.5% (2) |
| Mortality | .013%-0.435% (3) | 0.00125-0.45905 (3) |

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Depending on age, gender, and type of job

b. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.50% for CalPERS. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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

In determining the long-term expected rate of return, CalSTRS and 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 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

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

| Asset Class | Strategic Allocation | Real Return (Years 1-10)(1) | Real Return (Years 11+)(2) |
|-------------------------------|----------------------|-----------------------------|----------------------------|
| Global Equity | 47.00% | 5.25% | 5.71% |
| Global Fixed Income | 19.00% | 0.99% | 2.43% |
| Inflation Sensitive | 6.00% | 0.45% | 3.36% |
| Private Equity | 12.00% | 6.83% | 6.95% |
| Real Estate | 11.00% | 4.50% | 5.13% |
| Infrastructure and Forestland | 3.00% | 4.50% | 5.09% |
| Liquidity | 2.00% | -0.55% | -1.05% |

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

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

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

| | CalSTRS | CalPERS |
|-----------------------|---------------|---------------|
| 1% Decrease | 6.60% | 6.50% |
| Net Pension Liability | \$ 43,054,972 | \$ 12,426,812 |
| Current Discount Rate | 7.60% | 7.50% |
| Net Pension Liability | \$ 24,543,540 | \$ 7,083,919 |
| 1% Increase | 8.60% | 8.50% |
| Net Pension Liability | \$ 9,075,373 | \$ 1,763,054 |

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

d. Pension Plan Fiduciary Net Position

CalSTRS

| | Increase (Decrease) | | |
|--|--------------------------------------|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balance at June 30, 2014 | \$ 99,870,120 | \$ 69,866,542 | \$ 30,003,578 |
| Changes for the year: | | | |
| Service cost | 2,241,960 | - | 2,241,960 |
| Interest | 7,485,240 | - | 7,485,240 |
| Differences between expected and actual experience | - | - | - |
| Contributions - Employer | - | 954,310 | (954,310) |
| Contributions - Employee | - | 950,717 | (950,717) |
| Contributions - State On Behalf | - | 581,057 | (581,057) |
| Net investment income | - | 12,768,799 | (12,768,799) |
| Other income | - | 863 | (863) |
| Benefit payments, including refunds of employee contributions | (5,054,700) | (5,054,766) | 66 |
| Administrative expenses | - | (64,745) | 64,745 |
| Other expenses | - | (3,691) | 3,691 |
| Net Changes | 4,672,500 | 10,132,544 | (5,460,044) |
| Balance at June 30, 2015 | <u>\$ 104,542,620</u> | <u>\$ 79,999,086</u> | <u>\$ 24,543,534</u> |

CalPERS

| | Increase (Decrease) | | |
|--|--------------------------------------|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balance at June 30, 2014 | \$ 40,582,549 | \$ 30,943,415 | \$ 9,639,134 |
| Changes for the year: | | | |
| Service cost | 983,440 | - | 983,440 |
| Interest | 3,007,130 | - | 3,007,130 |
| Differences between expected and actual experience | - | - | - |
| Contributions - Employer | - | 750,716 | (750,716) |
| Contributions - Employee | - | 464,396 | (464,396) |
| Net investment income | - | 5,330,673 | (5,330,673) |
| Benefit payments, including refunds of employee contributions | (1,958,413) | (1,958,413) | - |
| Administrative expenses | - | - | - |
| Other expenses | - | - | - |
| Net Changes | 2,032,157 | 4,587,372 | (2,555,215) |
| Balance at June 30, 2015 | <u>\$ 42,614,706</u> | <u>\$ 35,530,787</u> | <u>\$ 7,083,919</u> |

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

O. Postemployment Benefits Other Than Pension Benefits

Plan Descriptions and Contribution Information

San Ysidro School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans in 2008-09.

Membership in the plan consisted of the following:

| | |
|---|------------|
| Retirees and beneficiaries receiving benefits | 50 |
| Active plan members | 403 |
| Total | <u>453</u> |

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

| Fiscal Year | Annual OPEB Cost | Percentage Contributed | Net OPEB Obligation |
|----------------|------------------------|---------------------------|------------------------|
| 2008-09 | \$ 575,016 | 42% | \$ 336,252 |
| 2009-10 | 583,555 | 45% | 659,900 |
| 2010-11 | 622,989 | 48% | 984,954 |
| 2011-12 | 653,411 | 59% | 1,184,564 |
| 2012-13 | 709,892 | 55% | 1,504,738 |
| 2013-14 | 736,774 | 45% | 1,910,189 |
| 2014-15 | 815,741 | 42% | 2,384,772 |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 is as follows:

| | |
|--|---------------------|
| Annual required contribution | \$ 859,716 |
| Interest on net OPEB obligation | 82,498 |
| Adjustment to annual required contribution | (126,473) |
| Annual OPEB Cost | <u>815,741</u> |
| Contributions made | (341,158) |
| Increase in OPEB obligation | <u>474,583</u> |
| Net OPEB obligation, beginning of year | 1,910,189 |
| Net OPEB obligation, end of year | <u>\$ 2,384,772</u> |

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was not funded. This results in an unfunded actuarial accrued liability (UAAL) of \$5.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$23.5 million, and the ratio of UAAL to the covered payroll was 29 percent.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation the entry age normal method was used. The actuarial assumptions included a five percent investment rate of return per year (net of administrative expenses), based on long-term historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq. The UAAL is being amortized as a level percentage of payroll over a period of 30 years. The remaining amortization period at July 1, 2014, was 24 years. The actuarial value of assets was not determined in this actuarial valuation as there were none.

P. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

Q. Components of Ending Fund Balance

As of June 30, 2015, ending fund balances in governmental funds consisted of:

| | Major Governmental Funds | | | | |
|-----------------------------------|--------------------------|----------------------|---------------------|---------------------|----------------------|
| | Fund | Fund | Bond Fund | Funds | Funds |
| Nonspendable Fund Balances | | | | | |
| Revolving Cash | \$ 5,477 | \$ - | \$ - | \$ - | \$ 5,477 |
| Stores Inventory | 87,837 | - | - | 20,353 | 108,190 |
| Prepaid Expenses | 3,000 | - | - | - | 3,000 |
| Restricted Fund Balances | | | | | |
| Educational Programs | 2,691,503 | - | - | 114,012 | 2,805,515 |
| Capital Projects | - | 25,745,596 | - | 3,096,695 | 28,842,291 |
| Debt Service | - | - | 5,182,476 | - | 5,182,476 |
| Child Nutrition Program | - | - | - | 1,219,593 | 1,219,593 |
| Unassigned Fund Balances | | | | | |
| For Economic Uncertainty | 1,311,584 | - | - | - | 1,311,584 |
| Other Unassigned | 4,090,991 | - | - | - | 4,090,991 |
| Total Fund Balance | \$ 8,190,392 | \$ 25,745,596 | \$ 5,182,476 | \$ 4,450,653 | \$ 43,569,117 |

R. Prior Period Restatement

The District implemented GASB Statement No. 68 & 71 during the current fiscal year which resulted in accounting changes for net pension liability. Under previous standards, net pension liability was not recorded on the statement of net position. Under newly implemented standards the net pension liability is recorded as a liability on the statement of net position. In addition, resulting from a difference in the measurement date for the net pension liability any contributions to pensions subsequent to the measurement date are now recorded as deferred outflows of resources. The combination of changes due to changes in accounting policies resulted in an adjustment to beginning net position as follows:

| | |
|---|------------------------|
| Net Position, Beginning (As Originally Stated) | \$ 19,623,046 |
| Adjustments for: | |
| Change in Accounting Policy - Net Pension Liability | (39,642,712) |
| Change in Accounting Policy - Deferred Outflows Pension Related | 3,701,196 |
| Net Position, Beginning (As Restated) | <u>\$ (16,318,470)</u> |

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

S. Subsequent Events

New Accounting Pronouncements

GASB Statement No. 72

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, Fair Value Measurement and Application. The primary objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement requires a government to use valuation techniques that are appropriate under circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches:

The Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The Cost Approach: This approach reflects the amount that would be required to replace the present service capacity of the asset.

The Income Approach: This approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

In addition to establishing fair value techniques the Statement establishes a hierarchy of inputs to valuation techniques and requires additional note disclosures about fair value in the financial statements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

The Statement is effective for years beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

GASB Statement No. 76

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles For State and Local Governments. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55 and is effective for financial statement periods beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

SAN YSIDRO SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| LCFF Sources: | | | | |
| State Apportionment or State Aid | \$ 23,013,596 | \$ 22,408,460 | \$ 15,641,908 | \$ (6,766,552) |
| Education Protection Account Funds | - | - | 6,592,295 | 6,592,295 |
| Local Sources | 13,581,691 | 14,339,696 | 14,694,183 | 354,487 |
| Federal Revenue | 2,875,659 | 3,777,748 | 2,323,100 | (1,454,648) |
| Other State Revenue | 1,042,801 | 1,409,261 | 2,519,765 | 1,110,504 |
| Other Local Revenue | 3,438,807 | 3,380,118 | 3,777,953 | 397,835 |
| Total Revenues | <u>43,952,554</u> | <u>45,315,283</u> | <u>45,549,204</u> | <u>233,921</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Certificated Salaries | 19,825,338 | 19,887,308 | 19,333,655 | 553,653 |
| Classified Salaries | 6,826,293 | 6,476,646 | 6,420,184 | 56,462 |
| Employee Benefits | 7,793,984 | 7,288,144 | 8,132,955 | (844,811) |
| Books And Supplies | 6,594,287 | 3,988,770 | 2,390,078 | 1,598,692 |
| Services And Other Operating Expenditures | 6,527,301 | 7,386,275 | 6,891,344 | 494,931 |
| Other Outgo | - | - | 28,420 | (28,420) |
| Direct Support/Indirect Costs | 260,845 | 255,823 | (202,661) | 458,484 |
| Capital Outlay | - | 234,260 | 234,260 | - |
| Debt Service: | | | | |
| Principal | - | - | 467,899 | (467,899) |
| Total Expenditures | <u>47,828,048</u> | <u>45,517,226</u> | <u>43,696,134</u> | <u>1,821,092</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(3,875,494)</u> | <u>(201,943)</u> | <u>1,853,070</u> | <u>2,055,013</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers Out | - | - | (23,317) | (23,317) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>(23,317)</u> | <u>(23,317)</u> |
| Net Change in Fund Balance | <u>(3,875,494)</u> | <u>(201,943)</u> | <u>1,829,753</u> | <u>2,031,696</u> |
| Fund Balance, July 1 | 6,360,639 | 6,360,639 | 6,360,639 | - |
| Fund Balance, June 30 | <u>\$ 2,485,145</u> | <u>\$ 6,158,696</u> | <u>\$ 8,190,392</u> | <u>\$ 2,031,696</u> |

SAN YSIDRO SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 OTHER POST EMPLOYMENT BENEFITS PLAN
 YEAR ENDED JUNE 30, 2015

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|--|
| 07/01/2008 | \$ - | \$ 4,658,106 | \$ 4,658,106 | - | \$ 26,750,000 | 17.4% |
| 07/01/2010 | - | 5,385,216 | 5,385,216 | - | 23,594,000 | 22.8% |
| 07/01/2012 | - | 5,943,918 | 5,943,918 | - | 24,188,000 | 24.6% |
| 07/01/2014 | - | 6,885,127 | 6,885,127 | - | 23,500,000 | 29.3% |

SAN YSIDRO SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

| | Fiscal Year | | | | | | | | | |
|---|---------------|------|------|------|------|------|------|------|------|------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| District's proportion of the net pension liability (asset) | 0.0420% | N/A |
| District's proportionate share of the net pension liability (asset) | \$ 24,543,534 | N/A |
| District's covered-employee payroll | \$ 11,544,120 | N/A |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 212.61% | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | 76.52% | N/A |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 is the first implementation year and as such, no information is being presented for years prior to implementation.

Notes to Schedule:

- 1) Benefit Changes: In 2015 there were no changes to benefits.
- 2) Changes in Assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

| | Fiscal Year | | | | | | | | | |
|--|---------------|------|------|------|------|------|------|------|------|------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Contractually required contribution | \$ 1,905,027 | N/A |
| Contributions in relation to the contractually required contribution | (1,905,027) | N/A |
| Contribution deficiency (excess) | \$ - | N/A |
| District's covered-employee payroll | \$ 11,544,120 | N/A |
| Contributions as a percentage of covered-employee payroll | 16.50% | N/A |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

N/A - 2014-15 is the first year of implementation and as such, information is not being presented for years prior to implementation.

Notes to Schedule:

Actuarial methods and assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

| | |
|-----------------------------------|-------------------------------------|
| Valuation Date | June 30, 2013 |
| Experience Study | July 1, 2006, through June 30, 2010 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 7.60% |
| Consumer Price Inflation | 3.00% |
| Wage Growth (Average) | 3.75% |
| Post-retirement Benefit Increases | 2.00% simple |

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

The 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. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board.

SAN YSIDRO SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

| | Fiscal Year | | | | | | | | | |
|---|--------------|------|------|------|------|------|------|------|------|------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| District's proportion of the net pension liability (asset) | 0.0624% | N/A |
| District's proportionate share of the net pension liability (asset) | \$ 7,083,919 | N/A |
| District's covered-employee payroll | \$ 6,639,471 | N/A |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 106.69% | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | 83.38% | N/A |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 is the first year of implementation and as such, years previous to implementation are not presented in this schedule.

Notes to Schedule:

- 1) Benefit changes: In 2015 there were no changes to the benefits.
- 2) Changes in assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

SAN YSIDRO SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

| | Fiscal Year | | | | | | | | | |
|--|--------------|------|------|------|------|------|------|------|------|------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Contractually required contribution | \$ 1,215,112 | N/A |
| Contributions in relation to the contractually required contribution | (1,215,112) | N/A |
| Contribution deficiency (excess) | \$ - | N/A |
| District's covered-employee payroll | \$ 6,639,471 | N/A |
| Contributions as a percentage of covered-employee payroll | 18.30% | N/A |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

N/A - 2014-15 fiscal year was the first year of implementation and as such, years previous to implementation are not presented in this schedule.

Notes to Schedule

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

| | |
|---------------------------|---|
| Actuarial Cost Method | Entry Age Normal in accordance with the requirements of GASB Statement No. 68 |
| Actuarial Assumptions | |
| Discount Rate | 7.50% |
| Inflation | 2.75% |
| Salary Increases | Varies by Entry Age and Service |
| Investment Rate of Return | 7.5% Net of Pension Plan Investment and Administrative Expenses; includes inflation |
| Mortality Rate Table | Derived using CalPERS Membership Data for all funds |
| Post Retirement Increase | Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter |

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

SAN YSIDRO SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

| | Special Revenue Funds | Debt Service Fund Blended Component Unit | Capital Projects Funds | Total Nonmajor Governmental Funds (See Exhibit A-3) |
|--------------------------------------|-----------------------------|---|------------------------------|---|
| ASSETS: | | | | |
| Cash in County Treasury | \$ 833,161 | \$ - | \$ 2,793,707 | \$ 3,626,868 |
| Cash on Hand and in Banks | 241,065 | - | 237,192 | 478,257 |
| Cash with a Fiscal Agent/Trustee | - | - | 63,537 | 63,537 |
| Accounts Receivable | 584,078 | - | 2,259 | 586,337 |
| Due from Other Funds | 834 | - | - | 834 |
| Stores Inventories | 20,353 | - | - | 20,353 |
| Total Assets | <u>1,679,491</u> | <u>-</u> | <u>3,096,695</u> | <u>4,776,186</u> |
| LIABILITIES AND FUND BALANCE: | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 31,513 | \$ - | \$ - | \$ 31,513 |
| Due to Other Funds | 294,020 | - | - | 294,020 |
| Total Liabilities | <u>325,533</u> | <u>-</u> | <u>-</u> | <u>325,533</u> |
| Fund Balance: | | | | |
| Nonspendable Fund Balances: | | | | |
| Stores Inventories | 20,353 | - | - | 20,353 |
| Restricted Fund Balances | 1,333,605 | - | 3,096,695 | 4,430,300 |
| Total Fund Balance | <u>1,353,958</u> | <u>-</u> | <u>3,096,695</u> | <u>4,450,653</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,679,491</u> | <u>\$ -</u> | <u>\$ 3,096,695</u> | <u>\$ 4,776,186</u> |

SAN YSIDRO SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

| | Special Revenue Funds | Debt Service Fund Blended Component Unit | Capital Projects Funds | Total Nonmajor Governmental Funds (See Exhibit A-5) |
|--|-----------------------------|---|------------------------------|---|
| Revenues: | | | | |
| Federal Revenue | \$ 2,176,885 | \$ - | \$ - | \$ 2,176,885 |
| Other State Revenue | 1,101,711 | - | - | 1,101,711 |
| Other Local Revenue | 430,974 | - | 3,096,091 | 3,527,065 |
| Total Revenues | <u>3,709,570</u> | <u>-</u> | <u>3,096,091</u> | <u>6,805,661</u> |
| Expenditures: | | | | |
| Instruction | 930,725 | - | - | 930,725 |
| Instruction - Related Services | 211,609 | - | - | 211,609 |
| Pupil Services | 2,346,976 | - | - | 2,346,976 |
| General Administration | 202,661 | - | 11,150 | 213,811 |
| Plant Services | 56,728 | - | 39,097 | 95,825 |
| Debt Service: | | | | |
| Principal | - | 745,000 | 253,630 | 998,630 |
| Interest | - | 1,783,038 | - | 1,783,038 |
| Total Expenditures | <u>3,748,699</u> | <u>2,528,038</u> | <u>303,877</u> | <u>6,580,614</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(39,129)</u> | <u>(2,528,038)</u> | <u>2,792,214</u> | <u>225,047</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 23,317 | 2,528,038 | - | 2,551,355 |
| Transfers Out | - | - | (2,528,038) | (2,528,038) |
| Total Other Financing Sources (Uses) | <u>23,317</u> | <u>2,528,038</u> | <u>(2,528,038)</u> | <u>23,317</u> |
| Net Change in Fund Balance | (15,812) | - | 264,176 | 248,364 |
| Fund Balance, July 1 | 1,369,770 | - | 2,832,519 | 4,202,289 |
| Fund Balance, June 30 | <u>\$ 1,353,958</u> | <u>\$ -</u> | <u>\$ 3,096,695</u> | <u>\$ 4,450,653</u> |

SAN YSIDRO SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2015

| | Child Development Fund | Cafeteria Fund | Total Nonmajor Special Revenue Funds (See Exhibit C-1) |
|--------------------------------------|------------------------------|---------------------|---|
| ASSETS: | | | |
| Cash in County Treasury | \$ 13,781 | \$ 819,380 | \$ 833,161 |
| Cash on Hand and in Banks | - | 241,065 | 241,065 |
| Accounts Receivable | 269,823 | 314,255 | 584,078 |
| Due from Other Funds | 834 | - | 834 |
| Stores Inventories | - | 20,353 | 20,353 |
| Total Assets | <u>284,438</u> | <u>1,395,053</u> | <u>1,679,491</u> |
| LIABILITIES AND FUND BALANCE: | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 13,427 | \$ 18,086 | \$ 31,513 |
| Due to Other Funds | 156,999 | 137,021 | 294,020 |
| Total Liabilities | <u>170,426</u> | <u>155,107</u> | <u>325,533</u> |
| Fund Balance: | | | |
| Nonspendable Fund Balances: | | | |
| Stores Inventories | - | 20,353 | 20,353 |
| Restricted Fund Balances | 114,012 | 1,219,593 | 1,333,605 |
| Total Fund Balance | <u>114,012</u> | <u>1,239,946</u> | <u>1,353,958</u> |
| Total Liabilities and Fund Balances | <u>\$ 284,438</u> | <u>\$ 1,395,053</u> | <u>\$ 1,679,491</u> |

SAN YSIDRO SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

| | Child Development Fund | Cafeteria Fund | Total Nonmajor Special Revenue Funds (See Exhibit C-2) |
|--|------------------------------|---------------------|---|
| Revenues: | | | |
| Federal Revenue | \$ 63,794 | \$ 2,113,091 | \$ 2,176,885 |
| Other State Revenue | 938,358 | 163,353 | 1,101,711 |
| Other Local Revenue | 411,443 | 19,531 | 430,974 |
| Total Revenues | <u>1,413,595</u> | <u>2,295,975</u> | <u>3,709,570</u> |
| Expenditures: | | | |
| Instruction | 930,725 | - | 930,725 |
| Instruction - Related Services | 211,609 | - | 211,609 |
| Pupil Services | 71,356 | 2,275,620 | 2,346,976 |
| General Administration | 75,495 | 127,166 | 202,661 |
| Plant Services | 56,728 | - | 56,728 |
| Total Expenditures | <u>1,345,913</u> | <u>2,402,786</u> | <u>3,748,699</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>67,682</u> | <u>(106,811)</u> | <u>(39,129)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers In | - | 23,317 | 23,317 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>23,317</u> | <u>23,317</u> |
| Net Change in Fund Balance | 67,682 | (83,494) | (15,812) |
| Fund Balance, July 1 | 46,330 | 1,323,440 | 1,369,770 |
| Fund Balance, June 30 | <u>\$ 114,012</u> | <u>\$ 1,239,946</u> | <u>\$ 1,353,958</u> |

SAN YSIDRO SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2015

| | Capital Facilities Fund | Capital Outlay Projects | Blended Component Unit Fund | Total Nonmajor Capital Projects Funds (See Exhibit C-1) |
|--------------------------------------|-------------------------------|-------------------------------|-----------------------------------|--|
| ASSETS: | | | | |
| Cash in County Treasury | \$ 798,959 | \$ 5,328 | \$ 1,989,420 | \$ 2,793,707 |
| Cash on Hand and in Banks | 237,192 | - | - | 237,192 |
| Cash with a Fiscal Agent/Trustee | - | - | 63,537 | 63,537 |
| Accounts Receivable | 734 | 5 | 1,520 | 2,259 |
| Total Assets | <u>1,036,885</u> | <u>5,333</u> | <u>2,054,477</u> | <u>3,096,695</u> |
| LIABILITIES AND FUND BALANCE: | | | | |
| Liabilities: | | | | |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance: | | | | |
| Restricted Fund Balances | \$ 1,036,885 | \$ 5,333 | \$ 2,054,477 | \$ 3,096,695 |
| Total Fund Balance | <u>1,036,885</u> | <u>5,333</u> | <u>2,054,477</u> | <u>3,096,695</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,036,885</u> | <u>\$ 5,333</u> | <u>\$ 2,054,477</u> | <u>\$ 3,096,695</u> |

SAN YSIDRO SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

| | Capital Facilities Fund | Capital Outlay Projects | Blended Component Unit Fund | Total Nonmajor Capital Projects Funds (See Exhibit C-2) |
|--|-------------------------------|-------------------------------|-----------------------------------|--|
| Revenues: | | | | |
| Other Local Revenue | \$ 348,971 | \$ 21 | \$ 2,747,099 | \$ 3,096,091 |
| Total Revenues | <u>348,971</u> | <u>21</u> | <u>2,747,099</u> | <u>3,096,091</u> |
| Expenditures: | | | | |
| General Administration | 11,150 | - | - | 11,150 |
| Plant Services | - | - | 39,097 | 39,097 |
| Debt Service: | | | | |
| Principal | - | - | 253,630 | 253,630 |
| Total Expenditures | <u>11,150</u> | <u>-</u> | <u>292,727</u> | <u>303,877</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>337,821</u> | <u>21</u> | <u>2,454,372</u> | <u>2,792,214</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers Out | - | - | (2,528,038) | (2,528,038) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>(2,528,038)</u> | <u>(2,528,038)</u> |
| Net Change in Fund Balance | 337,821 | 21 | (73,666) | 264,176 |
| Fund Balance, July 1 | 699,064 | 5,312 | 2,128,143 | 2,832,519 |
| Fund Balance, June 30 | <u>\$ 1,036,885</u> | <u>\$ 5,333</u> | <u>\$ 2,054,477</u> | <u>\$ 3,096,695</u> |

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

SAN YSIDRO SCHOOL DISTRICT

LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2015

The San Ysidro School District was established in 1887. The District boundaries include the City of San Ysidro and portions of the unincorporated area of San Diego County. There were no changes to the District's boundaries during the year. The district operates one preschool, five elementary schools, one K-8 school and one middle school.

Governing Board

| <u>Name</u> | <u>Office</u> | <u>Term and Term Expiration</u> |
|------------------|----------------|---|
| Antonio Martinez | President | Four Year Term Expires December 2016 |
| Marcos A. Diaz | Vice President | Four Year Term Expires December 2018 |
| Rudolfo Linares | Clerk | Four Year Term Expires December 2018 |
| Jose F. Barajas | Member | Four Year Term Expires December 2016 |
| Luciana Corrales | Member | Four Year Term Expires December 2018 |

Administration

Edward Velasquez
Interim Superintendent

Gloria Madera
Assistant Superintendent
Educational Services

Dena Whittington
Assistant Superintendent
Business Services

SAN YSIDRO SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2015

TABLE D-1

| | Second Period Report | | Annual Report | |
|---------------------------------|------------------------|-------------------|------------------------|-------------------|
| | Original | Revised | Original | Revised |
| TK/K-3: | | | | |
| Regular ADA | 1,990.79 | N/A | 2,007.60 | N/A |
| Extended Year Special Education | - | N/A | 1.81 | N/A |
| Nonpublic, Nonsectarian Schools | - | N/A | - | N/A |
| TK/K-3 Totals | <u>1,990.79</u> | <u>N/A</u> | <u>2,009.41</u> | <u>N/A</u> |
| Grades 4-6: | | | | |
| Regular ADA | 1,582.44 | N/A | 1,568.52 | N/A |
| Extended Year Special Education | - | N/A | 1.08 | N/A |
| Nonpublic, Nonsectarian Schools | 4.17 | N/A | 4.67 | N/A |
| Extended Year Nonpublic | 0.55 | N/A | 0.73 | N/A |
| Grades 4-6 Totals | <u>1,587.16</u> | <u>N/A</u> | <u>1,575.00</u> | <u>N/A</u> |
| Grades 7 and 8: | | | | |
| Regular ADA | 1,023.93 | N/A | 1,026.36 | N/A |
| Extended Year Special Education | - | N/A | 0.82 | N/A |
| Nonpublic, Nonsectarian Schools | 1.21 | N/A | 1.18 | N/A |
| Extended Year Nonpublic | 0.11 | N/A | 0.11 | N/A |
| Grades 7 and 8 Totals | <u>1,025.25</u> | <u>N/A</u> | <u>1,028.47</u> | <u>N/A</u> |
| ADA Totals | <u><u>4,603.20</u></u> | <u><u>N/A</u></u> | <u><u>4,612.88</u></u> | <u><u>N/A</u></u> |

N/A - There were no audit findings which resulted in necessary revisions to attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school. 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 and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

SAN YSIDRO SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2015

TABLE D-2

| <u>Grade Level</u> | <u>Ed. Code 46207 Minutes Requirement</u> | <u>Ed. Code 46207 Adjusted & Reduced</u> | <u>2014-15 Actual Minutes</u> | <u>Number of Days Traditional Calendar</u> | <u>Number of Days Multitrack Calendar</u> | <u>Status</u> |
|---------------------------|---|--|---------------------------------------|--|---|---------------|
| Transitional Kindergarten | 36,000 | 35,000 | 40,500 | 180 | - | Complied |
| Kindergarten | 36,000 | 35,000 | 40,500 | 180 | - | Complied |
| Grade 1 | 50,400 | 49,000 | 55,728 | 180 | - | Complied |
| Grade 2 | 50,400 | 49,000 | 55,728 | 180 | - | Complied |
| Grade 3 | 50,400 | 49,000 | 55,728 | 180 | - | Complied |
| Grade 4 | 54,000 | 52,500 | 55,728 | 180 | - | Complied |
| Grade 5 | 54,000 | 52,500 | 55,728 | 180 | - | Complied |
| Grade 6 | 54,000 | 52,500 | 55,728 | 180 | - | Complied |
| Grade 7 | 54,000 | 52,500 | 58,428 | 180 | - | Complied |
| Grade 8 | 54,000 | 52,500 | 58,428 | 180 | - | Complied |

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District neither met nor exceeded its target funding.

SAN YSIDRO SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2015

TABLE D-3

| General Fund | Budget 2016 (See Note 1) | 2015 | 2014 | 2013 |
|--|--------------------------------|-----------------------|-----------------------|-----------------------|
| Revenues and other financial sources | \$ 50,142,192 | \$ 45,549,204 | \$ 41,881,727 | \$ 39,790,530 |
| Expenditures, other uses and transfers out | 46,491,675 | 43,719,451 | 40,133,797 | 40,548,648 |
| Change in fund balance (deficit) | 3,650,517 | 1,829,753 | 1,747,930 | (758,118) |
| Ending fund balance | <u>\$ 11,840,909</u> | <u>\$ 8,190,392</u> | <u>\$ 6,360,639</u> | <u>\$ 4,612,709</u> |
| Available reserves (See Note 2) | <u>\$ 9,036,441</u> | <u>\$ 5,402,575</u> | <u>\$ 2,904,402</u> | <u>\$ 2,666,107</u> |
| Available reserves as a percentage of total outgo (See Note 3) | <u>19.4%</u> | <u>12.7%</u> | <u>7.4%</u> | <u>6.7%</u> |
| Total long-term debt | <u>\$ 231,977,025</u> | <u>\$ 238,654,122</u> | <u>\$ 193,241,763</u> | <u>\$ 191,546,568</u> |
| Average daily attendance at P-2 | <u>4,470</u> | <u>4,603</u> | <u>4,861</u> | <u>4,919</u> |

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.

The fund balance of the general fund has increased by \$3,577,683 (77.56%) over the past two years. The fiscal year 2015-16 budget projects an increase of \$3,650,517 (44.57%). For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by \$47,107,554 over the past two years (See Note 4).

Average daily attendance has decreased by 316 over the past two years.

Notes:

- 1 Budget 2016 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$1,065,994, \$937,375, and \$966,153, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013.
- 4 As a result of implementation of GASB Statement No. 68, long term liabilities for the year ended June 30, 2015 include net pension liabilities which were not previously accounted for. As such, total long term debt for the year ended June 30, 2015 is not comparable to previous years represented in this table.

SAN YSIDRO SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

TABLE D-4

| | Cafeteria Fund | Building Fund |
|---|-------------------|------------------|
| June 30, 2015, annual financial and budget report fund balances | \$ 1,239,946 | \$ 25,745,596 |
| Adjustments and reclassifications: | | |
| Increasing (decreasing) the fund balance: | | |
| Adjustment to record Proceeds from Issuance of General Obligation Bonds | - | 46,986,375 |
| Adjustments to record Debt Service Paid with General Obligation Bonds | - | (46,986,375) |
| Inclusion of noncash commodities received in Federal Revenue | 35,590 | - |
| Inclusion of noncash commodities received in Pupil Services Expenses | (35,590) | - |
| Net adjustments and reclassifications | - | - |
| June 30, 2015, audited financial statement fund balances | \$ 1,239,946 | \$ 25,745,596 |

| | Government Wide Net Position |
|---|------------------------------------|
| June 30, 2015, annual financial and budget report total net position | \$ (37,174,135) |
| Adjustments and reclassifications: | |
| Increase (decrease) in total liabilities: | |
| Deferred outflows of resources understatement | 13,884,762 |
| Accounts payable for unmatured interest understatement | (1,158,106) |
| General obligation bonds payable overstatement | 6,107,951 |
| Certificates of participation payable understatement | (5,651) |
| Net adjustments and reclassifications | 18,828,956 |
| June 30, 2015, audited financial statement total net position | \$ (18,345,179) |

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

No charter schools are chartered by San Ysidro School District.

| <u>Charter Schools</u> | <u>Included In Audit?</u> |
|------------------------|-------------------------------|
| None | N/A |

SAN YSIDRO SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2015

TABLE D-6

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|---------------------------|--|----------------------------|
| <u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | |
| Direct Programs: | | | |
| Medi-Cal | 93.778 | - | \$ 70,127 |
| Total Medi-Cal Cluster | | | <u>70,127</u> |
| Passed Through State Department of Education: | | | |
| Federal Child Care | 93.596 | 13609 | 63,794 |
| Total U. S. Department of Health and Human Services | | | <u>133,921</u> |
| <u>U. S. DEPARTMENT OF EDUCATION</u> | | | |
| Passed Through State Department of Education: | | | |
| Title I: Part A Basic | 84.010 | 14329 | 1,249,982 |
| Special Education: IDEA Mental Health | 84.027 | 14468 | 46,345 |
| Special Education: IDEA Basic | 84.027 | 13379 | 748,124 |
| Special Education: IDEA Local Assistance | 84.027 | 10115 | 1,789 |
| Special Education: IDEA Preschool Local | 84.027A | 13682 | 70,857 |
| Special Education: IDEA Preschool | 84.173 | 13430 | 36,120 |
| Special Education: IDEA Preschool Staff Development | 84.173A | 13431 | 426 |
| Total Special Education Cluster | | | <u>903,661</u> |
| Title X: McKinney-Vento Homeless Assistance | 84.196 | 14332 | 114,737 |
| Title III: Limited English Proficiency | 84.365 | 14346 | 52,417 |
| Title II: Teacher Quality | 84.367 | 14341 | 147,154 |
| Total Passed Through State Department of Education | | | <u>2,467,951</u> |
| Total U. S. Department of Education | | | <u>2,467,951</u> |
| <u>U. S. DEPARTMENT OF AGRICULTURE</u> | | | |
| Passed Through State Department of Education: | | | |
| School Breakfast Program | 10.553 | 13526 | 305,474 |
| National School Lunch Section 11 | 10.555 | 13396 | 1,445,685 |
| National School Lunch Meal Supplement | 10.555 | 23165 | 82,510 |
| National School Lunch Section 4 | 10.555 | 13391 | 243,832 |
| Commodity Supplemental Food Program * | 10.555 | 13396 | 35,590 |
| Total Child Nutrition Cluster | | | <u>2,113,091</u> |
| Total U. S. Department of Agriculture | | | <u>2,113,091</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 4,714,963</u></u> |

* Indicates noncash expenditure

The accompanying notes are an integral part of this schedule.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of San Ysidro School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Other 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

Board of Trustees
San Ysidro School District
San Diego, California

Members of the Board of Trustees:

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 San Ysidro School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise San Ysidro School District's basic financial statements, and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the San Ysidro School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the San Ysidro School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the San Ysidro School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2015-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the San Ysidro 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2015-004 thru 2015-008.

San Ysidro School District's Response to Findings

San Ysidro School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. San Ysidro School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 15, 2015

Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
San Ysidro School District
San Diego, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the San Ysidro School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the San Ysidro School District's major federal programs for the year ended June 30, 2015. San Ysidro 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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Ysidro 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the San Ysidro 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 the San Ysidro School District's compliance.

Basis for Qualified Opinion on Title I (84.010) and Special Education Cluster (84.027 & 84.173)

As described in item 2015-004 in the accompanying schedule of findings and questioned costs, the San Ysidro School District did not comply with requirements regarding Allowable Costs/Cost Principles that are applicable to its Title I (84.010) and Special Education Cluster (84.027 & 84.173). Compliance with such requirements is necessary, in our opinion, for San Ysidro School District to comply with the requirements applicable to that program.

Qualified Opinion on Title I (84.010) and Special Education Cluster (84.027 & 84.173)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the San Ysidro 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 Title I (84.010) and Special Education Cluster (84.027 & 84.173) for the year ended June 30, 2015.

Basis for Qualified Opinion on Title I (84.010)

As described in item 2015-005 in the accompanying schedule of findings and questioned costs, the San Ysidro School District did not comply with requirements regarding Special Tests and Provisions that are applicable to its Title I (84.010). Compliance with such requirements is necessary, in our opinion, for San Ysidro School District to comply with the requirements applicable to that program.

Qualified Opinion on Title I (84.010)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the San Ysidro 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 Title I (84.010) for the year ended June 30, 2015.

Basis for Qualified Opinion on Title I (84.010)

As described in item 2015-006 in the accompanying schedule of findings and questioned costs, the San Ysidro School District did not comply with requirements regarding Special Tests and Provisions that are applicable to its Title I (84.010). Compliance with such requirements is necessary, in our opinion, for San Ysidro School District to comply with the requirements applicable to that program.

Qualified Opinion on Title I (84.010)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraphs, the San Ysidro 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 Title I (84.010) for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the San Ysidro 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the San Ysidro 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 the San Ysidro 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the San Ysidro School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 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.

San Ysidro School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. San Ysidro School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 15, 2015

Independent Auditor's Report on State Compliance

Board of Trustees
San Ysidro School District
San Diego, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2015.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. 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 State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Those standards and audit guide 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 direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

| <u>Compliance Requirements</u> | <u>Procedures in Audit Guide Performed?</u> |
|--------------------------------|---|
|--------------------------------|---|

**LOCAL EDUCATION AGENCIES
OTHER THAN CHARTER SCHOOLS:**

| | |
|--|-----|
| Attendance Accounting: | |
| Attendance Reporting | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| Independent Study | N/A |
| Continuation Education | N/A |
| Instructional Time | Yes |

| | |
|---|-----|
| Instructional Materials | Yes |
| Ratio of Administrative Employees to Teachers | Yes |
| Classroom Teacher Salaries | Yes |
| Early Retirement Incentive | N/A |
| GANN Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| Juvenile Court Schools | N/A |
| Middle or Early College High Schools | N/A |
| K-3 Grade Span Adjustment | Yes |
| Transportation Maintenance of Effort | Yes |
| Regional Occupational Centers or Programs Maintenance of Effort | N/A |
| Adult Education Maintenance of Effort | N/A |

SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:

| | |
|--|-----|
| California Clean Energy Jobs Act | Yes |
| After School Education and Safety Program: | |
| After School | Yes |
| Before School | Yes |
| General Requirements | Yes |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Common Core Implementation Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |

CHARTER SCHOOLS:

| | |
|---|-----|
| Attendance | N/A |
| Mode of Instruction | N/A |
| Nonclassroom-Based Instruction/Independent Study | N/A |
| Determination of Funding for Nonclassroom-Based Instruction | N/A |
| Annual Instructional Minutes - Classroom Based | N/A |
| Charter School Facility Grant Program | N/A |

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Opinion on State Compliance

In our opinion, San Ysidro School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-007 and 2015-008. We did not modify our opinion with respect to these matters.

San Ysidro School District's Response to Findings

San Ysidro School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. San Ysidro School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 15, 2015

Findings and Recommendations Section

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? X Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? X Yes None

Noncompliance material to financial statements noted? X Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? X Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X Yes No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 10.553 & 10.555 | Child Nutrition Cluster |
| 84.010 | Title I |
| 84.027 & 84.173 | Special Education Cluster |

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies? X Yes No

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

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

B. Financial Statement Findings

Finding 2015-001 (30000)
Internal Controls over Payroll

Criteria or Specific Requirement

Verify that the district has internal controls over payroll to ensure proper safeguarding of district assets and accurate reporting.

Condition

In our review of internal controls established for payroll, position control procedures are performed by the payroll department who are also responsible for issuing paychecks. The lack of a segregation of duties over these procedures provides an opportunity for a single individual to create a false employee and issue paychecks to that false employee. We performed additional procedures and did not identify any actual instances of false employees being input into the system, though the opportunity exists.

Questioned Costs

None

Cause

The district assigned the responsibility of position control to the payroll department based on it's similarity to the payroll procedures already performed without realizing that it should be segregated.

Effect

The district is exposed to risk of false employees being entered into the payroll system. The procedures in place would not likely detect a false employee in time to prevent fraud.

Recommendation

We recommend that the position control and payroll duties be segregated between the payroll and human resources department.

LEA's Response

Position control was maintained by Business Coordinator, not the Account Clerk III (Payroll Technician) - The District will ensure that Payroll and HR are cohesive in its procedures. HR should enter and place and payroll should only pay. Position Control, for FTE % purpose will be maintain by Financial Controller, Position Control for Personnel will be maintain by HR Technician.

Finding 2015-002 (30000)
Internal Controls over Associated Student Body Funds

Criteria or Specific Requirement

Determine that the District has procedures and controls in place to safeguard assets of the associated student body accounts.

Condition

San Ysidro Middle School was unable to provide supporting documentation for five out of ten deposits tested in student body accounts. In addition, the school operates a student store but does not keep an inventory of items on hand.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Questioned Costs

None

Context

In order to detect errors and deter fraud, internal controls must be established over deposits and inventory of student body activities.

Effect

The associated student body funds at San Ysidro Middle School are exposed to significant risk of error and fraud because controls are not in place to detect errors and deter fraud.

Cause

The associated student body funds are overseen by multiple teachers without an established advisor responsible for the accounts as a whole. There is some documentation, but it is not detailed enough to verify that amounts deposited are in agreement with amounts collected. There is not a process in place to track inventory of the student body store.

Recommendation

Establish procedures to regularly inventory student body stores. Establish procedures over deposits to ensure amounts deposited are in agreement with amounts collected. Establish an ASB Advisor and ensure they understand that they are responsible for oversight of all associated student body activities and deposits.

LEA's Response

The District will ensure that the recommendations provided by the Audit Firm are followed accordingly.

Finding 2015-003 (30000)
Year End Closing

Criteria or Specific Requirement

Determine that the District has procedures and controls in place to ensure accurate financial reporting.

Condition

In our review of the financial statements, we noted that the District left a single individual responsible for all closing entries in the financial system. District management did not review the financial information posted by this non-management individual and as a result did not identify a misstatement in the financial system. The financial statements did not include entries associated with the issuance of general obligation refunding bonds. Consequently, the government-wide financial statements contained a material misstatement that was not identified by the districts controls.

Questioned Costs

None

Context

In order to detect errors in the financial statements, internal controls must be established over financial reporting to ensure accuracy in the financial statements.

Effect

There was a material misstatement in the government-wide financial statements that we had to correct via audit adjusting journal entry.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Cause

The District did not have controls in place to review financial information before closing the books.

Recommendation

Establish procedures to review all financial information prior to closing of the books to ensure accuracy of reporting.

LEA's Response

The District's Superintendent and/or his designee will review all Financial Statement to ensure accuracy and proper government financial reporting.

C. Federal Award Findings and Questioned Costs

Finding 2015-004 (50000)
 Allowable Costs, Cost Principles
 Federal Time Accounting

Federal Program Information

84.010 - Title I
 84.027 & 84.173 - Special Education Cluster

Federal Grantor Agency

U.S. Department of Education

Pass-Trough Grantor Agency

California Department of Education

Criteria or Specific Requirement

Verify that amounts charged to federal major programs for payroll and benefits meet the documentation requirements for time accounting as outlined in OMB Circular A-87.

Condition

Multi-Funded employees did not complete a Personnel Activity Report (PAR) monthly, instead they signed a report at the end of April for each month in the year. The time spent on each activity was not completed by the employee or the employee's supervisor who have first-hand knowledge of the activities. It appears that a single individual filled the time spent on each activity for all employees and that the time was based on the District's budget rather than actual activities. In addition, all PARs have a statement at the bottom indicating that the activities may not meet the requirements of the program.

Questioned Costs

Estimated questioned costs are as follows:

| <u>CFDA #</u> | <u>Program</u> | <u>Questioned Costs</u> |
|------------------------|-----------------------------------|-------------------------|
| 84.010 | 2014-15 Title I | \$ 520,687 |
| 84.027, 84.173 | 2014-15 Special Education Cluster | 814,366 |
| Total Questioned Costs | | <u>\$ 1,335,053</u> |

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Context

Pursuant to OMB Circular A-87, Attachment B, Section 8(h)(3), Employees who work solely on a single federal cost objective must complete a periodic certification that meets the following requirements:

- A. Be prepared at least semiannually.
- B. Be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
- C. State that the employee worked solely on that single federal program or cost objective during the period covered by the certification.
- D. Be an after-the-fact certification of actual effort expended.

Pursuant to OMB Circular A-87, Attachment B, Section 8(h)(4), (5), and (7), Employees who work on multiple federal programs or cost objectives must complete personnel activity reports (PARs) or equivalent documentation that meets the following requirements:

- A. Reflect an after-the-fact distribution of the actual activity of each employee.
- B. Account for the total activity for which each employee is compensated.
- C. Be prepared at least monthly and coincide with one or more pay periods.
- D. Be signed by the employee.

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards.

Effect

The district has not complied with the requirements for documenting salaries and wages charged to federal programs as required by OMB Circular A-87.

Cause

Individuals preparing documentation did not have a complete understanding of the requirements.

Recommendation

Establish procedures for documenting time charged to federal programs that is consistent with the requirements of OMB Circular A-87. Procedure 905 of the California School Accounting Manual provides detailed information on the requirements and sample reports which can be used in establishing procedures. Provide training to individuals charged with preparing documentation as to the requirements of federal time accounting and district procedures. Ensure that reporting takes place based upon actual activities rather than budgeted activities.

LEA's Response

The SYSD has established Time Accounting procedures for Federal Program Management .

Cost Objectives and Documentation Requirements

The type and frequency of time and effort documentation required is dependent on whether an employee works on a single cost objective or on multiple cost objectives. For employees working on a single activity or cost objective, it is sufficient for SFAs to use a periodic certification prepared at least semiannually (every six months). For employees working on multiple activities or cost objectives, federal regulations require SFAs to use a personnel activity report (PAR) or equivalent documentation that is prepared at least monthly.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Single Cost Objectives

For SYSD employees who work on a single cost objective, 2 CFR, Part 225, Appendix B, Section 8.h(3), specifies the following documentation requirements:

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Since nutrition programs are typically funded by a mix of federal, state, and local resources, the SYSD will need to consider if the service(s) performed and the population(s) served are allowable under all of the funding sources supporting the cost objective to determine if the activity is a single cost objective. For example, the salary of a cook working in a school cafeteria may be funded from federal funds (free or reduced-price meal reimbursement), state funds (additional reimbursement funds), and local funds (lunch sales). If the cook spends all their time preparing and serving school lunches, and if 100 percent of the activities performed by the cook are allowable under each of the funding sources, then the cook's activities can be considered a single cost objective.

Multiple Cost Objectives

In accordance with 2 CFR, Part 225, Appendix B, Section 8.h(4), a SYSD federally funded employee is considered to be working on multiple cost objectives when the employee works on:

More than one federal award (e.g., School Nutrition Programs, CACFP, SFSP)

A federal award and a nonfederal award

An indirect cost activity and a direct cost activity

Federally funded employees working on multiple cost objectives must have the following documentation per 2 CFR, Part 225, Appendix B, Section 8.h(4):

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Semi-Annual Certification

Employees whose salaries or wages are supported by federal money and who work on a single cost objective need only complete a periodic certification. Per 2 CFR, Part 225, Appendix B, Section 8.h(3), the periodic certification must conform to the following requirements:

- A. Be prepared at least semiannually (every six months)
- B. Be signed and dated by the employee or a supervisory official having first hand knowledge of the work performed by the employee.
- C. Identify the program or cost objective under which the employee worked.
- D. State that the employee worked solely on a single federal program or cost objective during the period covered by the certification.

Personnel Activity Report

Employees who work on multiple cost objectives, with at least one federal funding source, must complete PARs or equivalent documentation at least monthly, except as described in the Substitute Systems for Time Accounting section of this MB. Per 2 CFR, Part 225, Appendix B, Section 8.h(5), a PAR or equivalent documentation must: Reflect an after-the-fact distribution of the actual activity of the employee.

- A. Account for the total activity for which the employee is compensated.
- B. Be prepared at least monthly and coincide with one or more pay periods.
- C. Be signed by the employee.

PARs will be reviewed quarterly for deviation between the total estimated time and total actual time charged. If consistently over 10 percent, adjustments will be made to the distribution of labor costs.

Finding 2015-005 (50000)
Special Tests & Provisions
School Wide Plan

Federal Program Information

84.010 - Title I

Federal Grantor

U.S. Department of Education

Pass-Through Grantor

California Department of Education

Criteria or Specific Requirement

Verify that the schoolwide plan included the required core elements and components as identified in the Code of Federal Regulations (CFR) 34 Sections 200.26 and 200.28.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Condition

In our review of schoolwide plans we noted that the school wide plans did not contain the required core elements and components.

Questioned Costs

Program expenditures under the program were:

| <u>CFDA #</u> | <u>Program</u> | <u>Questioned Costs</u> |
|---------------|-----------------|-------------------------|
| 84.010 | 2014-15 Title I | \$ <u>1,249,982</u> |

Questioned costs as identified in this finding overlap with questioned costs identified in finding 2015-004.

Context

To operate a schoolwide program, a school must include in their plan the following three core elements:

1. Comprehensive needs assessment of the entire school (34 CFR section 200.26(a)).
2. Comprehensive plan based on data from the needs assessment (34 CFR section 200.26(b)).
3. Annual evaluation of the results achieved by the schoolwide program and revision of the schoolwide plan based on that evaluation (34 CFR section 200.26 (c)).

A schoolwide plan must also include the following five components:

1. Schoolwide reform strategies (34 CFR section 200.28(a)).
2. Instruction by highly qualified professional staff (34 CFR section 200.28 (b)).
3. Strategies to increase parental involvement (34 CFR section 200.28(c)).
4. Additional support to students experiencing difficulty (34 CFR section 200.28(d)).
5. Transition plans for assisting preschool children in the successful transition to the schoolwide program (34 CFR 200.28(e)).

Cause

The District did not have an understanding of the requirements for schoolwide plans.

Effect

The District did not comply with CFR 34 Sections 200.26 and 200.28.

Recommendation

Provide training to school site councils and school site personnel as to the requirements for schoolwide plans. Work with the school site councils to ensure all required core elements and components are included in the schoolwide plans.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

LEA's Response

The SYSD has hired a State and Federal Programs Coordinator, who has begun implementing the following:

1. SDCOE training
2. Lining up the SWP with the LCAP
3. Using new templates
4. Workshops for Principals
5. Continued training for Principals
6. Update and revision to the template based on need
7. Review and update to Goals and Actions
8. PI requirements
9. Data analysis

Finding 2015-006 (50000)
 Special Tests and Provisions
 Comparability

Federal Program Information

84.010 - Title I

Federal Grantor

U.S. Department of Education

Pass-Through Grantor

California Department of Education

Criteria or Specific Requirement

Determine whether the LEA has developed procedures for complying with the comparability requirements and maintained records that are updated at least biennially documenting compliance with the comparability requirements.

Condition

The District was unable to provide comparability documentation for audit purposes.

Questioned Costs

Program expenditures under the program were:

| <u>CFDA #</u> | <u>Program</u> | <u>Questioned Costs</u> |
|---------------|-----------------|-------------------------|
| 84.010 | 2014-15 Title I | \$ <u>1,249,982</u> |

Questioned costs as identified in this finding overlap with questioned costs identified in finding 2015-004.

Context

An LEA may receive funds under Title I, Part A only if State and local funds will be used in participating schools to provide services that, taken as a whole, are at least comparable to services that the LEA is providing in schools not receiving Title I, Part A funds. An LEA is considered to have met the statutory comparability requirements if it filed with the SEA a written assurance that such LEA has implemented (1) an LEA-wide salary schedule; (2) a policy to ensure equivalence among schools in teachers, administrators, and other staff; and (3) a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Each LEA must develop procedures for complying with the comparability requirements and implement the procedures annually. The LEA must maintain records that are updated biennially documenting compliance with the comparability requirements. The SEA, however, is ultimately responsible for ensuring that LEAs remain in compliance with the comparability requirement (Section 1120A(c) of ESEA (20 USC 6321(c)).

Cause

The District has had turnover in the positions responsible for federal compliance and are unaware if the previous individuals responsible for federal compliance completed the required comparability documentation.

Effect

We were unable to audit comparability documentation for the 2014-15 fiscal year.

Recommendation

Establish procedures to ensure comparability documentation is updated at least biennially and that the documentation is maintained for audit purposes. Establish cross training procedures to ensure that in the event that the district experiences turnover, documentation is still available for audit purposes.

LEA's Response

The SYSD has hired personnel with experience in Title I Comparability. Title I Comparability was completed and submitted to the CDE on December 3, 2015. Documentation is available for the following:

1. Meeting Title I, Part A Comparability Requirements
2. Forms and Instructions for completing Title I Comparability
3. Comparability Form Selection Chart
4. Original Form A, Form B, Form F, and Form G, showing comparability for 2015-2016

D. State Award Findings and Questioned Costs

Finding 2015-007 (10000)
Attendance Verification

Criteria or Specific Requirement

In accordance with California Education Code Section 44809 and California Code of Regulations, Title 5, Section 401, the California Department of Education is required to approve forms and procedures that constitute LEAs attendance accounting systems. Currently, the California Department of Education approves attendance systems in which teachers manually sign and date attendance registers, depending on the type of attendance accounting system used. For on-line attendance accounting systems, approval is given to systems that provide for teachers signing and dating weekly printout of attendance records entered on-line during the previous week.

Condition

In our review of attendance at school sites we noted the following conditions:

1. At Ocean View, teacher verification of attendance is not being completed within one week of the attendance being taken.
2. At Ocean View, the attendance clerk is not maintaining a phone log or documentation of phone calls with parents for absence verification.
3. At Vista Del Mar, teachers were backdating signatures on attendance verification reports. As a result we could not determine if the verification happened within one week of the attendance being taken.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Questioned Costs

None. Although the teachers were not verifying attendance timely, they did input the attendance directly into an online system contemporaneously. Since teachers have first hand knowledge of the actual attendance and they maintained the attendance records contemporaneously, ADA was determined to be reported correctly.

Cause

There was a general misunderstanding that the requirement for attendance verification signatures was contemporaneous and within a week of the attendance being taken. The District has not implemented procedures to ensure that all attendance is verified timely.

Effect

The District was out of compliance with attendance procedures required by the California Department of Education.

Recommendation

Establish written attendance policies and procedures consistent with state requirements and provide training to attendance staff to ensure they have a complete understanding of the Districts established policies and procedures. Establish monitoring process to ensure sites are following District established procedures. The District may also consider submitting for approval of an electronic signature process to the California Department of Education to reduce the amount of paper and time utilized during the current attendance process.

LEA's Response

The District will ensure that written Attendance Policies are in place consistent with state requirements. The District will provide comprehensive training of attendance requirement and compliance to all pertinent staff members. We will implement the tracking of ADA on a daily basis, instead of how many days a child attends schools.

Finding 2015-008 (40000)
Unduplicated Pupil Counts

Criteria or Specific Requirement

Verify information submitted in the CalPADS system for unduplicated pupil counts.

Condition

The CalPADS unduplicate pupil counts were certified and submitted without complete information for homeless students within the district. A comparison of 2013-14 homeless students to 2014-15 homeless students showed a decrease of approximately 1,200. We evaluated the Districts complete list of homeless students to the unduplicated pupil counts and identified 316 students that were not otherwise counted on the unduplicated pupil counts in another qualifying category.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Questioned Costs

None, the increase in unduplicated pupil counts will increase funding by approximately \$242,000.

Audit Adjustments to the counts are as follows:

| | <u>Funded Under LCFF</u> | <u>Audit Adjustments</u> | <u>Adjusted Counts</u> |
|--|--------------------------|--------------------------|------------------------|
| Total Enrollment | 4,842 | 0 | 4,842 |
| Free & Reduced Meal Program (FRPM) | 695 | 0 | 695 |
| English Learners (ELAS) | 526 | 0 | 526 |
| Both FRPM & ELAS | 1,746 | 0 | 1,746 |
| Other Funded (Direct Certifications, etc.) | 1,291 | 316 | 1,607 |
| Total | <u>4,258</u> | <u>316</u> | <u>4,574</u> |

Context

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

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

All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Effect

Supplemental and Concentration grants were under funded based on the additional students included in the unduplicated pupil counts.

Cause

The District completed, certified, and submitted the unduplicated pupil counts while the individual documenting the homeless population was out sick.

Recommendation

Implement procedures to ensure data submitted in CalPADS is complete prior to certification and submission.

LEA's Response

The District appreciates Auditor's diligence and cooperation in resolving this matter. It is so moved, that the District will strive to analyze every pupil reported not only in CALPADS, but in any other State/Fed reporting software for accuracy, and benefit of our children.

SAN YSIDRO SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

| Finding/Recommendation | Current Status | Management's Explanation If Not Implemented |
|---|-----------------------------|--|
| <p>Finding 2014-001 Associated Student Body Accounts</p> <p>San Ysidro Middle School was unable to provide supporting documentation for twelve out of twelve deposits made in student body accounts. In addition, the school operates a student store but does not keep an inventory of items on hand.</p> <p>Establish procedures to regularly inventory student body stores. Establish procedures over deposits to ensure amounts deposited are in agreement with amounts collected.</p> | <p>Not Implemented</p> | <p>See Current Year Finding</p> |
| <p>Finding 2014-002 Going Concern Issues</p> <p>The District was facing numerous financial difficulties including projection that they would not be able to meet financial obligations without an emergency state loan.</p> <p>Take necessary corrective actions to remediate looming budget and cash flow issues.</p> | <p>Implemented</p> | |
| <p>Finding 2014-003 Federal Time Accounting</p> <p>The district was unable to provide documentation for some federally funded employees that met the requirements of OMB Circular A-87.</p> <p>Implement procedures to ensure all employees charged to federal programs document their time and effort in compliance with the requirements of OMB Circular A-87.</p> | <p>Not Implemented</p> | <p>See Current Year Finding</p> |