

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

**AUDIT REPORT**

**JUNE 30, 2014**

**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, 2014

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	15	Exhibit A-1
Statement of Activities.....	16	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	17	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	18	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	19	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	20	Exhibit A-6
Statement of Fiduciary Net Position - Fiduciary Funds.....	21	Exhibit A-7
Notes to the Financial Statements .....	22	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	47	Exhibit B-1
Schedule of Funding Progress for Other Post Employment Benefits Plan.....	48	
Notes to Required Supplementary Information.....	49	
<u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	50	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	51	Exhibit C-2
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	52	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	53	Exhibit C-4
Debt Service Funds:		
Combining Balance Sheet - Nonmajor Debt Service Funds.....	54	Exhibit C-5
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Debt Service Funds.....	55	Exhibit C-6

San Ysidro School District  
 Audit Report  
 For The Year Ended June 30, 2014

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	56	Exhibit C-7
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds.....	57	Exhibit C-8
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure.....	58	
Schedule of Average Daily Attendance.....	59	Table D-1
Schedule of Instructional Time.....	60	Table D-2
Schedule of Financial Trends and Analysis.....	61	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	62	Table D-4
Schedule of Charter Schools.....	63	Table D-5
Schedule of Expenditures of Federal Awards .....	64	Table D-6
Notes to the Schedule of Expenditures of Federal Awards.....	65	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	66	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.....	68	
Independent Auditor's Report on State Compliance.....	70	
Schedule of Findings and Questioned Costs .....	72	
Summary Schedule of Prior Audit Findings.....	77	

## Financial Section

P. Robert Wilkinson, CPA  
Brian K. Hadley, CPA  
Natalie C. Azzam, CPA



Aubrey W. King, CPA  
Richard K. Savage, 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 San Ysidro School District ("the District") as of and for the year ended June 30, 2014, 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.

### **Opinion**

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, 2014, 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 2014, San Ysidro School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### *Going Concern*

The accompanying financial statements have been prepared assuming that San Ysidro School District will continue as a going concern. As described in Note T to the financial statements, the District has filed negative certifications with the San Diego County Office of Education indicating that they will not be able to meet their financial obligations. Management's plans with regards to these matters are also described in Note T to the financial statements. The financial statements do not include any adjustments that might result from the outcomes of this uncertainty.

## **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 and schedule of funding progress for OPEB benefits 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 2013-14*, 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, 2014 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, 2014

**San Ysidro School District  
Management's Discussion and Analysis  
Fiscal Year 2013-14  
(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 5103 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, 2014. 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 2012-13**

- In 2013-14, the district's Net Assets are \$19.6 million compared to \$24.1 million in 2012-13.
- In 2013-14, overall revenues were \$54.4 million and expenses were \$52.0 million. The district's revenue exceeded expenses by \$2.4 million. In 2012-13 the district's overall revenues were \$50.8 million and expenses were \$59.3 million. Expenses exceeded revenue by \$8.5 million.
- The District enrollment in October 2013 was 5103. This is a decrease of 132 students from October 2012 when the enrollment was at 5235.

**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 assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets of the District changed during the most recent fiscal year. All changes in net assets 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 on pages 15-16 of this 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 on pages 21 of this 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 on pages 22-47 of this 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 \$19.6 million at the close of 2013-14.

<b>SAN YSIDRO SCHOOL DISTRICT</b>		
<b>2013-14 NET ASSETS</b>		
<i>(In Millions of Dollars)</i>		
	<b>Governmental Activities 2012-13</b>	<b>Governmental Activities 2013-14</b>
	<u>2012-13</u>	<u>2013-14</u>
Current and Other Assets	\$58.3	\$56.2
Capital Assets	\$163.4	\$158.9
<b>Total Assets</b>	<u>\$221.7</u>	<u>\$215.1</u>
<b>Deferred Outflows of Resources</b>		<b>\$3.4</b>
Long-Term Debt Outstanding	\$191.5	\$193.4
Other Liabilities	\$6.1	\$5.5
<b>Total Liabilities</b>	<u>\$197.6</u>	<u>\$198.9</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	\$16.2	\$5.1
Restricted	\$50.5	\$49.3
Unrestricted	<u>\$(42.6)</u>	<u>\$(34.8)</u>
<b>Total Net Assets</b>	<u><u>\$24.1</u></u>	<u><u>\$19.6</u></u>

At the end of the 2013-14, the District is able to report a positive balance in net assets.

**Governmental activities.** The key elements of the District's net assets for the year ended June 30, 2014 are as follows:

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

	<u>2012-13</u>	<u>% of Total</u>	<u>2013-14</u>	<u>% of Total</u>
<b><u>Revenues</u></b>				
Program Revenues				
Charges for services	\$ 1,433,173	2.83%	\$ 1,715,627	3.15%
Operating grants and contributions	12,216,539	24.11%	10,146,947	18.65%
Capital grants and contributions	-	0.00%	-	0.00%
General Revenues				
Property taxes	22,052,139	43.52%	23,501,102	43.20%
Federal and state aid not restricted to specific purposes	14,716,205	29.05%	18,801,602	34.56%
Interest and investment earnings	21,109	0.04%	21,420	0.04%
Interagency revenues	-	0.00%	-	0.00%
Miscellaneous	226,683	0.45%	219,266	0.40%
Special and extraordinary items	-	0.00%	-	0.00%
<b>Total Revenues</b>	<b>\$ 50,665,848</b>	<b>100.00%</b>	<b>\$ 54,405,964</b>	<b>100.00%</b>
<b><u>Expenditures by Function</u></b>				
Governmental Activities				
Instruction	\$ 30,777,518	53.25%	\$30,605,776	53.07%
Pupil services	4,345,546	7.52%	4,698,106	8.15%
General administration	3,655,420	6.32%	4,668,085	8.09%
Plant services	5,237,729	9.06%	4,312,947	7.48%
Ancillary services	-	0.00%	-	0.00%
Community services	-	0.00%	-	0.00%
Enterprise activities	-	0.00%	-	0.00%
Interest on long-term debt	8,918,303	15.43%	8,655,137	15.01%
Other outgo	4,865,136	8.42%	4,735,851	8.20%
Business-type Activities				
Enterprise activities	-	0.00%	-	0.00%
<b>Total Expenditures</b>	<b>\$ 57,799,652</b>	<b>100.00%</b>	<b>\$ 57,675,902</b>	<b>100.00%</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (7,133,804)</b>		<b>\$ (3,269,938)</b>	
<b>Net Position - Beginning</b>	<b>\$ 31,225,846</b>		<b>\$ 22,892,984</b>	<b>(Restated)</b>
<b>Net Position - Ending</b>	<b>\$ 24,092,042</b>		<b>\$ 19,623,046</b>	

- The district's total revenue this year increased from \$50.7 million in FY 2012-13 to \$54.4 million in FY 2013-14.
- State aid COLA (Cost of Living Adjustment) in 2013-14 is 1.57% percent which is 1.67 percent less than last year. State aid is based primarily on average daily attendance (ADA) and other appropriations. If a student is in attendance for 180 days, the state awards the District one ADA.
- Expenses related to educating and caring for students (see Figure A-2) is 61.22 percent of the district's total expenditures.

Figure A-1

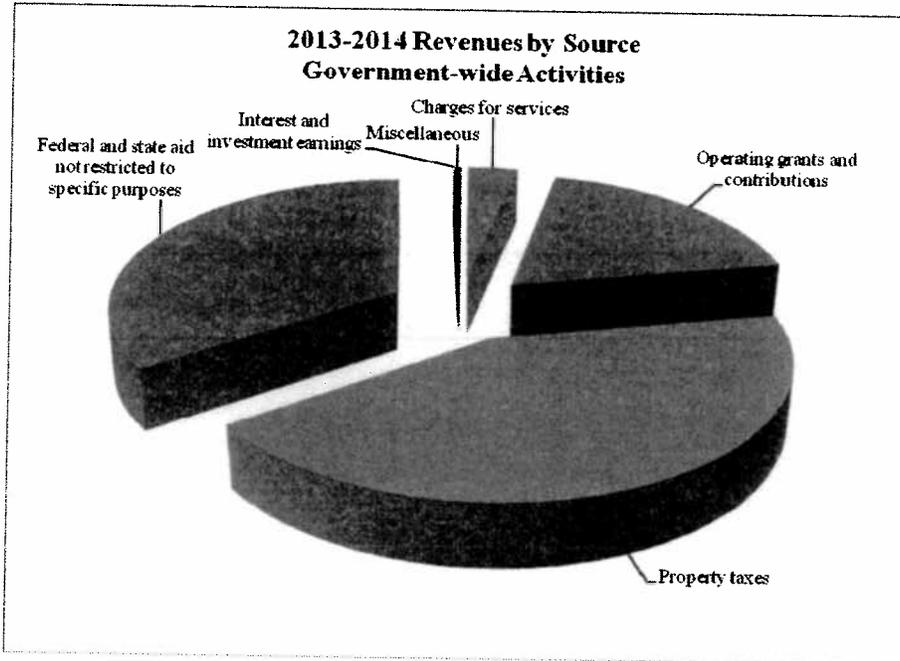
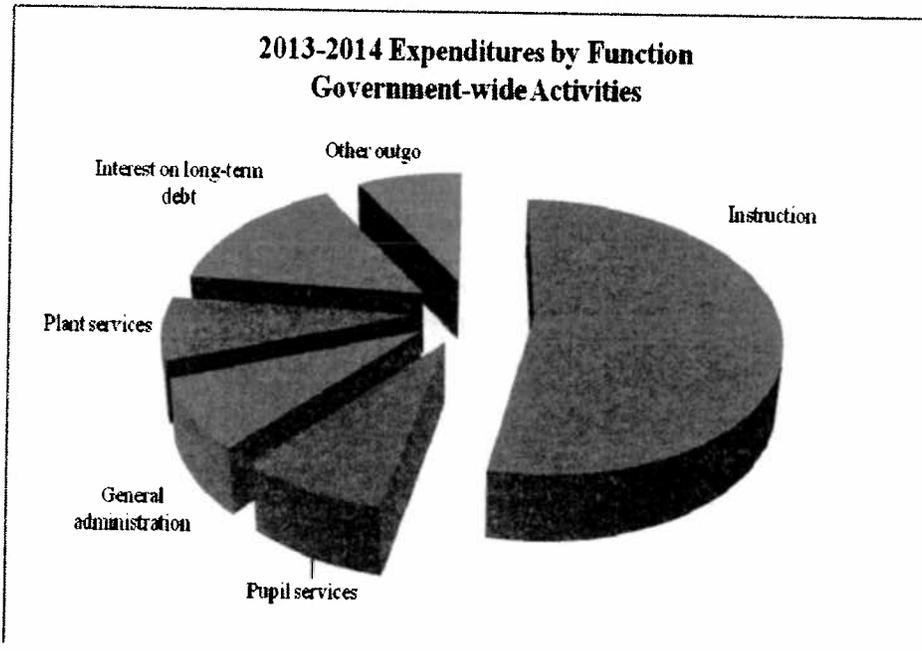


Figure A-2



**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 \$52.2 million, \$2.4 million more 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, 2014 were:

**SAN YSIDRO SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
COMPONENTS OF ENDING FUND BALANCE  
IN ACCORDANCE WITH GASB STATEMENT 54  
JUNE 30, 2014**

a) Nonspendable		
Revolving Cash	9711	7,753
Stores	9712	97,295
Prepaid Expenditures	9713	3,000
All Others	9719	-
b) Restricted	9740	49,219,814
c) Committed		
Stabilization Arrangements	9750	-
Other Commitments	9760	-
d) Assigned		
Other Assignments	9780	-
d) Unassigned		
Reserve for Economic Uncertainties	9789	1,175,893
Unassigned/Unappropriated	9790	1,728,509

**General Fund Budgetary Highlights**

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding.

- The difference between the original budget and the final amended budget was a decrease of \$0.56 million or 1.28% in total general fund expenditures budget.
- During the year, final budgeted revenues exceeded original budgetary estimates by \$3.4 million or 9% to account for implementation of the LCFF and increases in federal and state aid and local donations.
- Variances primarily result from expenditure-driven federal and state grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.
- For comparative purposes, the following table is presented to show General Fund actuals by Standardized Account Code Structure (SACS) functions and changes from fiscal year 2012-13 to 2013-14.

<b>SAN YSIDRO SCHOOL DISTRICT GENERAL FUND – MAJOR FUND</b>					
<u>Expenditures by Function</u>	<u>2012-13</u>	<u>2013-14</u>		<u>Change</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
General Education Grades K-12	\$25,949,643	\$25,037,045	63.88%	(\$912,598)	-3.52%
Instruction Related Services	1,100,739	910,304	2.32%	(\$190,435)	-17.30%
School Administration	2,300,218	2,118,842	5.41%	(\$181,376)	-7.89%
Pupil Services	1,750,863	1,871,599	4.77%	\$120,736	6.90%
Transportation	524,370	509,254	1.30%	(\$15,116)	-2.88%
General Administration	2,667,376	3,518,469	8.98%	\$851,093	31.91%
Central Data Processing	614,386	601,887	1.54%	(\$12,500)	-2.03%
Maintenance & Operations	4,186,169	4,113,591	10.49%	(\$72,578)	-1.73%
Other Outgo	488,729	515,432	1.31%	\$26,703	5.46%
<b>Total</b>	<b><u>\$39,582,495</u></b>	<b><u>\$39,196,422</u></b>	<b><u>100.00%</u></b>	<b><u>\$(386,071)</u></b>	
Final October CBEDS Enrollment	5,235	5,103		(132)	
Expenditures per Student =	\$7,561.13	\$7,681.05		\$119.92	1.59%

- The expenditures per student went up 1.59% from \$7,561.13 to \$7,681.05.

**Capital Asset and Debt Administration**

**Capital Assets.** The building and blended component unit funds are used to account for the costs incurred in improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

Capital assets as of June 30, 2013 and June 30, 2014 are outlined below:

**SAN YSIDRO SCHOOL DISTRICT  
CAPITAL ASSETS NET OF DEPRECIATION  
Governmental Activities**

	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>Total Change</u>
Land	\$ 45,896,267	\$45,896,267	\$0
Improvement of Sites	18,013,956	\$18,073,171	\$59,215
Buildings	120,546,266	\$119,628,776	\$ (917,490)
Equipment	4,355,378	\$4,381,446	\$26,068
Work in Progress	3,722,359	\$3,993,174	\$270,815
<b>Total Capital Assets</b>	<b><u>\$ 192,534,226</u></b>	<b><u>\$191,972,834</u></b>	<b><u>\$ (561,392)</u></b>

Additional information on the District's capital assets can be found in Note E to the basic financial statements.

**Debt Administration.** At year-end the District had \$193.4 million in general obligation bonds, certificates of participation, Qualified Zone Academy Bonds and employment benefits – an increase of 0.82% from last year – as shown in the table below.

<b>SAN YSIDRO SCHOOL DISTRICT</b>			
<b>LONG-TERM DEBT</b>			
<b>Governmental Activities</b>			
	<b>June 30, 2013</b>	<b>June 30, 2014</b>	<b>Total Change</b>
General obligation bonds	\$ 146,016,483	\$ 148,685,944	\$2,389,461
Certificates of Participation	40,583,395	39,986,582	(\$596,813)
Qualified zone academic bonds	2,282,670	2,029,040	(\$253,630)
Compensated absences	223,484	323,394	\$99,910
SERP	935,798	467,899	(\$467,899)
Net OPEB obligations	1,504,738	1,910,189	\$405,451
<b>Total Long-Term Debt</b>	<b>\$ 191,546,568</b>	<b>\$ 193,403,048</b>	<b>\$ 1,576,480</b>

Additional information on the District's long-term debt can be found in Note J to the basic financial statements.

**Changing Enrollment within the District**

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

**SAN YSIDRO SCHOOL DISTRICT  
CHANGES IN CBEDS FOR THREE YEARS**

<u>Grade</u>	<u>Oct 2011</u>	<u>Chg</u>	<u>Oct 2012</u>	<u>Chg</u>	<u>Oct 2013</u>
K	573	(29)	544	30	574
1	610	36	646	(126)	520
2	580	21	601	14	615
3	584	(11)	573	18	591
4	551	21	572	(45)	527
5	582	(22)	560	33	593
6	575	25	600	(77)	523
7	565	(6)	559	10	569
8	641	(61)	580	11	591
<b>TOTAL</b>	<b><u>5,261</u></b>	<b><u>(26)</u></b>	<b><u>5,235</u></b>	<b><u>(132)</u></b>	<b><u>5,103</u></b>
	<b><u>2011-12</u></b>	<b><u>Chg</u></b>	<b><u>2012-13</u></b>	<b><u>Chg</u></b>	<b><u>2013-14</u></b>
Elementary K-6	4,055	41	4,096	(153)	3,943
Middle 7-8	1,206	(67)	1,139	21	1,160
<b>TOTAL</b>	<b><u>5,261</u></b>	<b><u>(26)</u></b>	<b><u>5,235</u></b>	<b><u>(132)</u></b>	<b><u>5,103</u></b>

**Requests for Information**

This financial report is designed to provide a general overview of the San Ysidro School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent of Business Services, San Ysidro School District, 4350 Otay Mesa Road, San Ysidro, CA 92173.

**Basic Financial Statements**

**SAN YSIDRO SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 52,525,303
Receivables	3,624,171
Stores	97,295
Prepaid Expenses	3,000
Capital Assets:	
Land	45,896,267
Improvements	18,073,171
Buildings	119,628,776
Equipment	4,381,446
Work in Progress	3,993,174
Less Accumulated Depreciation	(33,160,906)
Total Assets	<u>215,061,697</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>3,445,384</u>
<b>LIABILITIES</b>	
Accounts Payable and Other Current Liabilities	3,161,154
Current Loans	2,319,333
Unearned Revenue	500
Long-Term Liabilities:	
Due Within One Year	5,137,732
Due in More Than One Year	167,192,570
Accreted Interest	21,072,746
Total Liabilities	<u>198,884,035</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	5,107,541
Restricted for:	
Capital Projects	39,851,726
Debt Service	4,650,129
Educational Programs	3,369,913
Other Purposes (Expendable)	1,342,046
Other Purposes (Nonexpendable)	108,048
Unrestricted	(34,806,357)
Total Net Position	<u>\$ 19,623,046</u>

The accompanying notes are an integral part of this statement.

**SAN YSIDRO SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Functions	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 27,269,807	\$ 1,504,235	\$ 6,594,153	\$ -	\$ (19,171,419)
Instruction-Related Services:					
Instructional Supervision and Administration	705,532	8,996	297,840	-	(398,696)
Instructional Library, Media and Technology	418,174	-	202,838	-	(215,336)
School Site Administration	2,212,263	4,979	50,725	-	(2,156,559)
Pupil Services:					
Home-to-School Transportation	514,904	-	-	-	(514,904)
Food Services	2,178,875	99,186	2,172,942	-	93,253
All Other Pupil Services	2,004,327	12,854	317,854	-	(1,673,619)
General Administration:					
Centralized Data Processing	605,198	4,001	1,160	-	(600,037)
All Other General Administration	4,062,887	16,751	341,834	-	(3,704,302)
Plant Services	4,312,947	64,625	167,601	-	(4,080,721)
Interest on Long-Term Debt	8,655,137	-	-	-	(8,655,137)
Debt Issue Costs	102,488	-	-	-	(102,488)
Depreciation (Unallocated)*	4,633,363	-	-	-	(4,633,363)
<b>Total Expenses</b>	<b>\$ 57,675,902</b>	<b>\$ 1,715,627</b>	<b>\$ 10,146,947</b>	<b>\$ -</b>	<b>\$ (45,813,328)</b>

General Revenues:

Taxes and Subventions:

Taxes Levied for General Purposes	15,240,740
Taxes Levied for Debt Service	5,370,216
Taxes Levied for Other Specific Purposes	2,890,146
Federal and State Aid Not Restricted to Specific Programs	18,801,602
Interest and Investment Earnings	21,420
Miscellaneous	219,266
<b>Total General Revenues</b>	<b>\$ 42,543,390</b>

Change in Net Position (3,269,938)

Net Position Beginning - As Restated (See Note S) 22,892,984

Net Position Ending \$ 19,623,046

\*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, 2014**

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash in County Treasury	\$ 6,861,753	\$ 36,997,179	\$ 8,576,406	\$ 52,435,338
Cash on Hand and in Banks	17,630	-	1,055	18,685
Cash in Revolving Fund	7,753	-	-	7,753
Cash with a Fiscal Agent/Trustee	-	-	63,528	63,528
Accounts Receivable	3,162,110	36,435	425,625	3,624,170
Due from Other Funds	212,995	-	1,035	214,030
Stores Inventories	75,571	-	21,724	97,295
Prepaid Expenditures	3,000	-	-	3,000
<b>Total Assets</b>	<u>10,340,812</u>	<u>37,033,614</u>	<u>9,089,373</u>	<u>56,463,799</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 1,659,305	\$ 14,407	\$ 23,960	\$ 1,697,672
Due to Other Funds	1,035	-	212,995	214,030
Current Loans	2,319,333	-	-	2,319,333
Unearned Revenue	500	-	-	500
<b>Total Liabilities</b>	<u>3,980,173</u>	<u>14,407</u>	<u>236,955</u>	<u>4,231,535</u>
Fund Balance:				
Nonspendable Fund Balances	86,324	-	21,724	108,048
Restricted Fund Balances	3,369,913	37,019,207	8,830,694	49,219,814
Unassigned Fund Balances	2,904,402	-	-	2,904,402
<b>Total Fund Balance</b>	<u>6,360,639</u>	<u>37,019,207</u>	<u>8,852,418</u>	<u>52,232,264</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 10,340,812</u>	<u>\$ 37,033,614</u>	<u>\$ 9,089,373</u>	<u>\$ 56,463,799</u>

The accompanying notes are an integral part of this statement.

**SAN YSIDRO SCHOOL DISTRICT**  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2014

Total fund balances - governmental funds balance sheet \$ 52,232,264

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	191,972,834	
Accumulated depreciation	(33,160,906)	
Net		158,811,928

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: 1,449,417

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: (1,463,483)

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	148,685,944	
Certificates of participation payable	39,986,582	
Other general long term debt	2,496,939	
Net OPEB obligation payable	1,910,189	
Compensated absences payable	323,394	
Total		(193,403,048)

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: 1,995,968

Net position of governmental activities - statement of net position \$ 19,623,046

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, 2014

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
LCFF Sources:				
State Apportionment or State Aid	\$ 11,897,153	\$ -	\$ -	\$ 11,897,153
Education Protection Account Funds	5,250,793	-	-	5,250,793
Local Sources	15,240,740	-	-	15,240,740
Federal Revenue	2,763,321	-	2,175,824	4,939,145
Other State Revenue	3,253,736	-	1,081,374	4,335,110
Other Local Revenue	3,475,984	436,855	8,830,185	12,743,024
<b>Total Revenues</b>	<u>41,881,727</u>	<u>436,855</u>	<u>12,087,383</u>	<u>54,405,965</u>
<b>Expenditures:</b>				
Instruction	25,974,419	-	1,024,381	26,998,800
Instruction - Related Services	3,029,146	-	185,192	3,214,338
Pupil Services	2,380,854	-	2,301,658	4,682,512
General Administration	4,120,355	-	208,352	4,328,707
Plant Services	4,113,591	445,405	63,217	4,622,213
Other Outgo	35,640	-	-	35,640
Debt Service:				
Principal	467,899	-	3,688,630	4,156,529
Interest	-	-	3,946,858	3,946,858
Debt Issue Costs	11,893	-	-	11,893
<b>Total Expenditures</b>	<u>40,133,797</u>	<u>445,405</u>	<u>11,418,288</u>	<u>51,997,490</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,747,930</u>	<u>(8,550)</u>	<u>669,095</u>	<u>2,408,475</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	-	-	2,476,977	2,476,977
Transfers Out	-	-	(2,476,977)	(2,476,977)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>1,747,930</u>	<u>(8,550)</u>	<u>669,095</u>	<u>2,408,475</u>
Fund Balance, July 1	4,612,709	37,027,757	8,183,323	49,823,789
Fund Balance, June 30	<u>\$ 6,360,639</u>	<u>\$ 37,019,207</u>	<u>\$ 8,852,418</u>	<u>\$ 52,232,264</u>

The accompanying notes are an integral part of this statement.

**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, 2014**

Net change in fund balances - total governmental funds	\$ 2,408,475
<p>Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:</p>	
<p>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:</p>	(4,268,264)
<p>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:</p>	4,156,529
<p>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:</p>	(54,955)
<p>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:</p>	(298,082)
<p>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:</p>	(4,810,824)
<p>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:</p>	(99,910)
<p>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:</p>	(405,451)
<p>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:</p>	102,544
Change in net position of governmental activities - statement of activities	\$ <u>(3,269,938)</u>

The accompanying notes are an integral part of this statement.

**SAN YSIDRO SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2014

	Agency Fund
	Student Body Fund
<b>ASSETS:</b>	
Cash on Hand and in Banks	\$ 46,134
Total Assets	<u>46,134</u>
<b>LIABILITIES:</b>	
Due to Student Groups	\$ 46,134
Total Liabilities	<u>46,134</u>
<b>NET POSITION:</b>	
Total Net Position	<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, 2014

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, 2014

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).

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.

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.

Student Body Fund. In the financial reports of the LEA, the Student Body Fund (Fund 95) is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as Due to Student Groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (Education Code sections 48930-48398).

**SAN YSIDRO SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

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.

**SAN YSIDRO SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

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, 2014**

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 during the benefiting period.

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 and Improvements	25-50
Furniture and 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 occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

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, 2014

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, 2014**

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. For the year ended June 30, 2014 the district did not have any deferred inflows of resources.

8. 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.

9. Changes in Accounting Policies

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

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

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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, 2014, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund: Other Outgo	\$ 35,640

General fund: The District incurred unanticipated expenditures for other outgo associated with transfers of services.

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 (\$52,435,337 as of June 30, 2014). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$52,502,848. 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.

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

Cash balances on hand and in banks (\$64,819 as of June 30, 2014) and in the revolving fund (\$7,753) 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, 2014 are shown below.

<u>Investment or Investment Type</u>	<u>Average Days to Maturity</u>	<u>Amount Reported</u>	<u>Fair Value</u>
U.S. Treasury Obligations	<30 Days	\$ 63,528	\$ 63,528
San Diego County Treasury Pooled Investments	366 Days	52,435,337	52,502,848
Total Investments		\$ 52,498,865	\$ 52,566,376

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

4. General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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.

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.

**SAN YSIDRO SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

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, 2014**

**E. Accounts Receivable**

As of June 30, 2014, Accounts Receivable consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Federal Government				
Federal Programs	\$ 514,751	\$ -	\$ 301,429	\$ 816,180
State Government				
LCFF State Aid	1,654,512	-	-	1,654,512
Lottery	384,542	-	-	384,542
Categorical Programs	67,713	-	103,900	171,613
Special Education	466,357	-	-	466,357
Other State Programs	17,755	-	17,153	34,908
Local Sources				
Interest	7,958	36,435	3,143	47,536
Other Local Sources	48,522	-	-	48,522
<b>Total</b>	<b>\$ 3,162,110</b>	<b>\$ 36,435</b>	<b>\$ 425,625</b>	<b>\$ 3,624,170</b>

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, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 45,896,267	\$ -	\$ -	\$ 45,896,267
Work in progress	3,722,358	270,816	-	3,993,174
Total capital assets not being depreciated	49,618,625	270,816	-	49,889,441
Capital assets being depreciated:				
Buildings	120,546,266	-	917,490	119,628,776
Improvements	18,013,956	59,215	-	18,073,171
Equipment	4,355,378	35,068	9,000	4,381,446
Total capital assets being depreciated	142,915,600	94,283	926,490	142,083,393
Less accumulated depreciation for:				
Buildings	(19,844,377)	(3,356,140)	(619,858)	(22,580,659)
Improvements	(6,041,545)	(1,078,428)	-	(7,119,973)
Equipment	(3,270,029)	(198,795)	(8,550)	(3,460,274)
Total accumulated depreciation	(29,155,951)	(4,633,363)	(628,408)	(33,160,906)
Total capital assets being depreciated, net	113,759,649	(4,539,080)	298,082	108,922,487
Governmental activities capital assets, net	\$ 163,378,274	\$ (4,268,264)	\$ 298,082	\$ 158,811,928

Depreciation was charged to functions as follows:

Unallocated Depreciation	\$ 4,633,363
	<u>\$ 4,633,363</u>

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

**G. 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.

A summary of the deferred outflows of resources as of June 30, 2014, are as follows:

Description	Amortization Term	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
2012 Refunding Loss	18 Years	\$ 2,120,716	\$ -	\$ 124,748	\$ 1,995,968
Prepaid Insurance - 1997 Series F	40 Years	702,240	-	18,480	683,760
Prepaid Insurance - 1997 Series G	30 Years	429,896	-	14,824	415,072
Prepaid Insurance - 2012 Ref.	18 Years	119,085	-	7,005	112,080
Prepaid Insurance - 2007 COPs	30 Years	83,650	-	3,346	80,304
Prepaid Insurance - 2012 COPs	30 Years	163,850	-	5,650	158,200
Total Deferred Outflows of Resources		\$ 3,619,437	\$ -	\$ 174,053	\$ 3,445,384

**H. Accounts Payable**

As of June 30, 2014, Accounts Payable consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Vendor payables	\$ 1,376,579	\$ 14,407	\$ 6,727	\$ 1,397,713
Payroll and related liabilities	282,726	-	17,233	299,959
Total	\$ 1,659,305	\$ 14,407	\$ 23,960	\$ 1,697,672

**I. Interfund Balances and Activities**

**1. Due To and Due From Other Funds**

Balances due to and due from other funds at June 30, 2014, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Child Development Fund	\$ 91,151	Indirect Costs and OPEB
General Fund	Cafeteria Fund	121,844	Indirect Costs and OPEB
Child Development Fund	General Fund	1,035	Reimburse expenses
	Total	\$ 214,030	

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

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2014, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Blended Component Unit (49)	Blended Component Unit (52)	\$ 2,599,285	Debt Service Payments
	Total	\$ 2,599,285	

J. Unearned Revenue

As of June 30, 2014, Unearned Revenue consisted of:

	General Fund
State Government Categorical Programs	\$ 500
Total	\$ 500

K. 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.

During the 2012-13 fiscal year, the District issued \$1,810,332 of a short term Principal Apportionment Temporary Transfer of Funds (TTF) agreement with the San Diego County. The temporary transfer was repaid in July 2013.

During the 2013-14 fiscal year, the District issued \$2,319,333 of short term Principal Apportionment Temporary Transfer of Funds (TTF) agreement with the San Diego County. The temporary transfer was repaid in July 2014.

	Beginning Balance	Issued	Redeemed	Ending Balance
Temporary Transfer of Funds	\$ 1,810,332	\$ 2,319,333	\$ 1,810,332	\$ 2,319,333

L. Components of Ending Fund Balance

As of June 30, 2014, ending fund balances in governmental funds consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
<b>Nonspendable Fund Balances</b>				
Revolving Cash	\$ 7,753	\$ -	\$ -	\$ 7,753
Stores Inventory	75,571	-	21,724	97,295
Prepaid Expenses	3,000	-	-	3,000
<b>Restricted Fund Balances</b>				
Educational Programs	3,369,913	-	46,330	3,416,243
Capital Projects	-	37,019,207	2,832,519	39,851,726
Debt Service	-	-	4,650,129	4,650,129
Child Nutrition Program	-	-	1,301,716	1,301,716
<b>Unassigned Fund Balances</b>				
For Economic Uncertainty	1,175,893	-	-	1,175,893
Other Unassigned	1,728,509	-	-	1,728,509
<b>Total Fund Balance</b>	<b>\$ 6,360,639</b>	<b>\$ 37,019,207</b>	<b>\$ 8,852,418</b>	<b>\$ 52,232,264</b>

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

M. 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, 2014, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	A m o u n t s Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 146,296,483	\$ 5,386,754	\$ 2,997,293	\$ 148,685,944	3,363,460
Certificates of participation	40,583,395	62,537	659,350	39,986,582	729,349
Other general long term debt	3,218,468	-	721,529	2,496,939	721,529
Net OPEB obligation	1,504,738	736,774	331,323	1,910,189	-
Compensated absences *	223,484	99,910	-	323,394	323,394
Total governmental activities	\$ 191,826,568	\$ 6,285,975	\$ 4,709,495	\$ 193,403,048	\$ 5,137,732

\* 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, and net OPEB obligation as of June 30, 2014, are as follows:

Year Ending June 30,	Governmental Activities			
	Principal	Accreted Interest	Interest	Total
2015	\$ 4,199,923	\$ -	\$ 2,006,507	\$ 6,206,430
2016	3,813,630	-	1,853,882	5,667,512
2017	4,258,630	-	1,672,582	5,931,212
2018	4,001,476	737,154	1,520,982	6,259,612
2019	4,294,044	859,586	1,398,557	6,552,187
2020-2024	25,006,826	7,229,064	4,860,641	37,096,531
2025-2029	23,320,344	21,794,656	1,056,871	46,171,871
2030-2034	16,203,032	38,221,968	23,700	54,448,700
2035-2039	18,019,212	50,165,788	-	68,185,000
2040-2044	11,764,098	77,815,902	-	89,580,000
2045-2049	8,329,707	110,335,293	-	118,665,000
2050-2054	2,992,022	53,197,978	-	56,190,000
Totals	\$ 126,202,944	\$ 360,357,389	\$ 14,393,722	\$ 500,954,055

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

3. General Obligation Bonds

General obligation bonds as of June 30, 2014, 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
Total GO Bonds				<u>\$ 161,487,609</u>

	Beginning Balance	Increases	Decreases	Ending Balance
1997 Election Series A	\$ 485,000	\$ -	\$ 485,000	\$ -
1997-A Bond Premium	12,624	-	12,624	-
1997 Election Series C	380,000	-	380,000	-
1997-C Bond Premium	6,209	-	6,209	-
1997 Election Series D	18,514,363	-	980,000	17,534,363
1997-D Bond Premium	333,624	-	19,624	314,000
1997-D Accreted Interest	8,137,466	1,269,157	-	9,406,623
1997 Election Series E	32,917,741	-	495,000	32,422,741
1997-E Bond Premium	542,803	-	27,140	515,663
1997-E Accreted Interest	4,288,386	971,537	-	5,259,923
1997 Election Series F	15,599,623	-	-	15,599,623
1997-F Bond Premium	1,032,711	-	27,177	1,005,534
1997-F Accreted Interest	2,028,427	1,408,263	-	3,436,690
1997 Election Series G	28,990,884	-	-	28,990,884
1997-G Bond Premium	892,307	-	30,770	861,537
1997-G Accreted Interest	1,105,597	1,737,797	-	2,843,394
2012 Refunding Bonds	29,265,000	-	430,000	28,835,000
2012 Bond Premium	1,763,718	-	103,749	1,659,969
Total GO Bonds	<u>\$ 146,296,483</u>	<u>\$ 5,386,754</u>	<u>\$ 2,997,293</u>	<u>\$ 148,685,944</u>

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

The annual requirements to amortize the bonds outstanding at June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,155,000	\$ -	\$ 2,006,507	\$ 5,161,507
2016	3,560,000	-	1,853,882	5,413,882
2017	4,005,000	-	1,672,582	5,677,582
2018	3,747,846	737,154	1,520,982	6,005,982
2019	4,040,414	859,586	1,398,557	6,298,557
2020-2024	24,245,936	7,229,064	4,860,641	36,335,641
2025-2029	23,320,344	21,794,656	1,056,871	46,171,871
2030-2034	16,203,032	38,221,968	23,700	54,448,700
2035-2039	18,019,212	50,165,788	-	68,185,000
2040-2044	11,764,098	77,815,902	-	89,580,000
2045-2049	8,329,707	110,335,293	-	118,665,000
2050-2054	2,992,022	53,197,978	-	56,190,000
Totals	\$ 123,382,611	\$ 360,357,389	\$ 14,393,722	\$ 498,133,722

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.

4. Certificates of Participation (COPs)

Certificates of Participation (COPs) as of June 30, 2014, consisted of:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
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				\$ 44,864,715

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
1998 COPs	\$ 1,825,000	\$ -	\$ 130,000	\$ 1,695,000
2001 COPs	5,925,000	-	205,000	5,720,000
2001 COPs Discount	(15,186)	-	(844)	(14,342)
2005 COPs	15,590,000	-	270,000	15,320,000
2005 COPs Discount	(77,834)	-	(3,538)	(74,296)
2007 COPs	7,060,000	-	60,000	7,000,000
2007 COPs Premium	650	-	26	624
2012 COPs	10,249,715	-	-	10,249,715
2012 COPs Discount	(37,529)	-	(1,294)	(36,235)
2012 COPs Accreted Interest	63,579	62,537	-	126,116
Total COPs	\$ 40,583,395	\$ 62,537	\$ 659,350	\$ 39,986,582

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

The annual requirements to amortize the COPs outstanding at June 30, 2014, are as follows:

Year Ending June 30,	Accreted		Interest	Total
	Principal	Interest		
2015	\$ 745,000	\$ -	\$ 1,783,138	\$ 2,528,138
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
2020-2024	7,195,000	-	7,276,753	14,471,753
2025-2029	8,890,000	-	5,751,545	14,641,545
2030-2034	10,380,000	-	3,908,629	14,288,629
2035-2039	7,930,000	-	1,526,503	9,456,503
2040-2044	929,715	1,335,285	183,675	2,448,675
Totals	\$ 39,984,715	\$ 1,335,285	\$ 27,193,761	\$ 68,513,761

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.

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.

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.

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

5. Other General Long Term Debt

Other general long term debt as of June 30, 2014, 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
Total Other GLTD				<u>\$ 7,339,495</u>

	Beginning Balance	Increases	Decreases	Ending Balance
QZAB Bonds	\$ 2,282,670	\$ -	\$ 253,630	\$ 2,029,040
SERP Retirement	935,798	-	467,899	467,899
Total Other GLTD	<u>\$ 3,218,468</u>	<u>\$ -</u>	<u>\$ 721,529</u>	<u>\$ 2,496,939</u>

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

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2015	\$ 721,529	\$ -	\$ -	\$ 721,529
2016	253,630	-	-	253,630
2017	253,630	-	-	253,630
2018	253,630	-	-	253,630
2019	253,630	-	-	253,630
2020-2024	760,890	-	-	760,890
Totals	<u>\$ 2,496,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,496,939</u>

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, 2014 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 submitted its initial payment of \$467,899 prior to June 30, 2011.

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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.

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%
	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%

N. 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 (SDCSRJ). 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, 2014**

The Districts share of combined unaudited financial information for the year ended June 30, 2014 is as follows:

	SDCSR (Unaudited) June 30, 2014
Total Assets	\$ 2,220,055
Total Liabilities	2,079,476
Total Fund Balance	<u>\$ 140,579</u>
Total Revenues	\$ 1,601,738
Total Expenses	944,686
Net Change in Fund Balance	<u>\$ 657,052</u>

The District had a deficit in fund balance for two funds within the JPA, the Worker's Compensation Fund and the Property and Liability 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.

O. Employee Retirement Systems

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 State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

PERS:

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2014, 2013 and 2012 were \$758,860, \$773,103 and \$736,312, respectively, and equal 100% of the required contributions for each year.

STRS:

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2014, 2013 and 2012 were \$1,533,284, \$1,591,600 and \$1,655,116, respectively, and equal 100% of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to STRS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$967,178 (5.204002% of salaries subject to STRS). 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.

P. 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	65
Active plan members	431
Total	496

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

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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	\$ 749,046
Interest on net OPEB obligation	75,237
Adjustment to annual required contribution	(87,509)
Annual OPEB Cost	<u>736,774</u>
Contributions made	(331,323)
Increase in OPEB obligation	405,451
Net OPEB obligation, beginning of year	1,504,738
Net OPEB obligation, end of year	<u>\$ 1,910,189</u>

Funded Status and Funding Progress

As of July 1, 2012, 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 \$24.2 million, and the ratio of UAAL to the covered payroll was 24.6 percent.

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, 2012 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, 2012, was 26 years. The actuarial value of assets was not determined in this actuarial valuation as there were none.

Q. 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, 2014

Construction Commitments

As of June 30, 2013, the District has suspended all construction projects.

R. Subsequent Events

New Accounting Pronouncement

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50 Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

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

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions are also addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for the purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans - pension plans in which pensions are provided to the employees of only one employer (as defined by this statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans - pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

**SAN YSIDRO SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans - pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for the 2014-15 fiscal year.

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. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

GASB Statement No. 71 amends paragraph 137 of Statement No. 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 No. 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 provisions of this statement are required to be applied with the provisions of Statement No. 68 which is effective for the 2014-15 fiscal year.

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

S. Prior Period Restatements

The District implemented GASB Statement No. 65 during the current fiscal year which resulted in an accounting change in the treatment of the debt issue costs. Under previous standards, debt issue costs were recorded as prepaid expenses and amortized over the life of the debt. Under newly implemented standards prepaid insurance is recorded as a deferred outflow of resources and all remaining debt issue costs are expensed in the period the debt is issued. In addition, the pronouncement requires that the gain or loss on refunding be calculated and amortized over the shorter of the life of the old or new debt. While calculating the gain or loss on refunding the district realized that general obligation bonds were understated by \$280,000. The district elected to correct beginning net position. The resulting accounting policy changes and correction required a restatement to beginning net position as follows:

Net Position, Beginning (As Originally Stated)	\$ 24,092,042
Change in accounting policy - debt issue costs	(3,039,774)
Change in accounting policy - gain/loss on refunding	<u>2,120,716</u>
Net Assets, Beginning (As Restated)	<u>\$ 22,892,984</u>

T. Going Concern

The District's past deficit spending coupled with reductions in revenue sources provided by the State of California and impasse in negotiations with unions, have resulted in substantial doubt about the District's ability to continue as a going concern. The following issues indicate that the district may not be able to meet their financial obligations:

1. The District has filed negative certifications for 2012-13 second interim reports, 2013-14 first interim reports, 2013-14 second interim reports, and 2014-15 first interim reports with the San Diego County Office of Education. The negative certification status states that the District will not meet its cash flow needs.
2. Decline in local enrollment of the District's students has adversely impacted state apportionment funding.

In response to these issues, the San Diego County Office of Education is monitoring and overseeing activities of the District. In addition, a state mediator has been brought in to assist in negotiations between the District and the unions.

The District was able to come to agreements with labor unions in October 2014. Between the agreed upon concessions and the additional funding that the district will receive through the new funding models, the district believes it will be able to continue over the course of the next fiscal year.

In the event that the District cannot meet their financial obligations, the State Superintendent of Public Instruction will issue an emergency loan to help the District meet their obligations. If this occurs, the law requires that the State Superintendent of Public Instruction assume all the legal rights, duties, and powers of the governing board of the District and appoint a state administrator. The District's elected governing board serves only in an advisory capacity until a number of conditions are met.

## 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**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 11,324,137	\$ 12,120,060	\$ 11,897,153	\$ (222,907)
Education Protection Account Funds	-	5,250,793	5,250,793	-
Local Sources	13,504,570	14,927,356	15,240,740	313,384
Federal Revenue	2,932,847	3,394,762	2,763,321	(631,441)
Other State Revenue	6,621,958	2,296,659	2,316,361	19,702
Other Local Revenue	3,529,783	3,344,550	3,475,984	131,434
Total Revenues	<u>37,913,295</u>	<u>41,334,180</u>	<u>40,944,352</u>	<u>(389,828)</u>
Expenditures:				
Current:				
Certificated Salaries	20,797,683	19,793,632	18,490,096	1,303,536
Classified Salaries	6,776,113	6,531,032	6,305,497	225,535
Employee Benefits	7,262,855	7,179,498	6,833,953	345,545
Books And Supplies	2,594,680	1,785,190	996,955	788,235
Services And Other Operating Expenditures	5,884,857	7,469,000	6,256,608	1,212,392
Other Outgo	-	-	35,640	(35,640)
Direct Support/Indirect Costs	(188,587)	(205,755)	(197,202)	(8,553)
Capital Outlay	-	16,976	6,976	10,000
Debt Service:				
Principal	467,899	467,899	467,899	-
Total Expenditures	<u>43,595,500</u>	<u>43,037,472</u>	<u>39,196,422</u>	<u>3,841,050</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,682,205)</u>	<u>(1,703,292)</u>	<u>1,747,930</u>	<u>3,451,222</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(5,682,205)</u>	<u>(1,703,292)</u>	<u>1,747,930</u>	<u>3,451,222</u>
Fund Balance, July 1	4,612,709	4,612,709	4,612,709	-
Fund Balance, June 30	<u>\$ (1,069,496)</u>	<u>\$ 2,909,417</u>	<u>\$ 6,360,639</u>	<u>\$ 3,451,222</u>

The accompanying notes to required supplementary information is an integral part of this statement.

**SAN YSIDRO SCHOOL DISTRICT**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 POST EMPLOYMENT HEALTHCARE BENEFITS  
 YEAR ENDED JUNE 30, 2014

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%

**SAN YSIDRO SCHOOL DISTRICT**  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2014

**Budgetary Comparison Schedule - General Fund**

The budgetary comparison schedule does not include revenue and expenses associated with on behalf payments made by the state for the fiscal year as follows:

General Fund - Fund Financial Statements Revenues and Other Financing Sources	\$ 40,944,352
Less On Behalf Payments for year ended June 30, 2014	<u>(937,375)</u>
General Fund - Budgetary Comparison Schedule Revenues and Other Financing Sources	<u>\$ 40,006,977</u>
General Fund - Fund Financial Statements Expenditures and Other Financing Uses	\$ 39,196,422
Less On Behalf Payments for year ended June 30, 2014	<u>(937,375)</u>
General Fund - Budgetary Comparison Schedule Expenditures and Other Financing Uses	<u>\$ 38,259,047</u>

## 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, 2014

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS:</b>				
Cash in County Treasury	\$ 1,159,586	\$ 4,650,129	\$ 2,766,691	\$ 8,576,406
Cash on Hand and in Banks	1,055	-	-	1,055
Cash with a Fiscal Agent/Trustee	-	-	63,528	63,528
Accounts Receivable	423,325	-	2,300	425,625
Due from Other Funds	1,035	-	-	1,035
Stores Inventories	21,724	-	-	21,724
<b>Total Assets</b>	<u>1,606,725</u>	<u>4,650,129</u>	<u>2,832,519</u>	<u>9,089,373</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 23,960	\$ -	\$ -	\$ 23,960
Due to Other Funds	212,995	-	-	212,995
<b>Total Liabilities</b>	<u>236,955</u>	<u>-</u>	<u>-</u>	<u>236,955</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	21,724	-	-	21,724
Restricted Fund Balances	1,348,046	4,650,129	2,832,519	8,830,694
<b>Total Fund Balance</b>	<u>1,369,770</u>	<u>4,650,129</u>	<u>2,832,519</u>	<u>8,852,418</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,606,725</u>	<u>\$ 4,650,129</u>	<u>\$ 2,832,519</u>	<u>\$ 9,089,373</u>

**SAN YSIDRO SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 2,175,824	\$ -	\$ -	\$ 2,175,824
Other State Revenue	1,058,564	22,810	-	1,081,374
Other Local Revenue	588,916	5,354,788	2,886,481	8,830,185
Total Revenues	<u>3,823,304</u>	<u>5,377,598</u>	<u>2,886,481</u>	<u>12,087,383</u>
Expenditures:				
Instruction	1,024,381	-	-	1,024,381
Instruction - Related Services	185,192	-	-	185,192
Pupil Services	2,301,658	-	-	2,301,658
General Administration	197,202	-	11,150	208,352
Plant Services	48,314	-	14,903	63,217
Debt Service:				
Principal	-	3,435,000	253,630	3,688,630
Interest	-	3,946,858	-	3,946,858
Total Expenditures	<u>3,756,747</u>	<u>7,381,858</u>	<u>279,683</u>	<u>11,418,288</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>66,557</u>	<u>(2,004,260)</u>	<u>2,606,798</u>	<u>669,095</u>
Other Financing Sources (Uses):				
Transfers In	-	2,476,977	-	2,476,977
Transfers Out	-	-	(2,476,977)	(2,476,977)
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,476,977</u>	<u>(2,476,977)</u>	<u>-</u>
Net Change in Fund Balance	66,557	472,717	129,821	669,095
Fund Balance, July 1	1,303,213	4,177,412	2,702,698	8,183,323
Fund Balance, June 30	<u>\$ 1,369,770</u>	<u>\$ 4,650,129</u>	<u>\$ 2,832,519</u>	<u>\$ 8,852,418</u>

**SAN YSIDRO SCHOOL DISTRICT**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2014

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
<b>ASSETS:</b>			
Cash in County Treasury	\$ 44,468	\$ 1,115,118	\$ 1,159,586
Cash on Hand and in Banks	-	1,055	1,055
Accounts Receivable	104,034	319,291	423,325
Due from Other Funds	1,035	-	1,035
Stores Inventories	-	21,724	21,724
Total Assets	<u>149,537</u>	<u>1,457,188</u>	<u>1,606,725</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts Payable	\$ 11,055	\$ 12,905	\$ 23,960
Due to Other Funds	92,152	120,843	212,995
Total Liabilities	<u>103,207</u>	<u>133,748</u>	<u>236,955</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	-	21,724	21,724
Restricted Fund Balances	46,330	1,301,716	1,348,046
Total Fund Balance	<u>46,330</u>	<u>1,323,440</u>	<u>1,369,770</u>
Total Liabilities and Fund Balances	<u>\$ 149,537</u>	<u>\$ 1,457,188</u>	<u>\$ 1,606,725</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, 2014

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ 44,187	\$ 2,131,637	\$ 2,175,824
Other State Revenue	909,435	149,129	1,058,564
Other Local Revenue	482,298	106,618	588,916
Total Revenues	<u>1,435,920</u>	<u>2,387,384</u>	<u>3,823,304</u>
Expenditures:			
Instruction	1,024,381	-	1,024,381
Instruction - Related Services	185,192	-	185,192
Pupil Services	110,479	2,191,179	2,301,658
General Administration	86,187	111,015	197,202
Plant Services	48,314	-	48,314
Total Expenditures	<u>1,454,553</u>	<u>2,302,194</u>	<u>3,756,747</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(18,633)</u>	<u>85,190</u>	<u>66,557</u>
Net Change in Fund Balance	(18,633)	85,190	66,557
Fund Balance, July 1	64,963	1,238,250	1,303,213
Fund Balance, June 30	<u>\$ 46,330</u>	<u>\$ 1,323,440</u>	<u>\$ 1,369,770</u>

**SAN YSIDRO SCHOOL DISTRICT**  
 COMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 JUNE 30, 2014

	Bond Interest & Redemption	Blended Component Unit	Total Nonmajor Debt Service Funds (See Exhibit C-1)
<b>ASSETS:</b>			
Cash in County Treasury	\$ 4,650,129	\$ -	\$ 4,650,129
Total Assets	<u>4,650,129</u>	<u>-</u>	<u>4,650,129</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Restricted Fund Balances	\$ 4,650,129	\$ -	\$ 4,650,129
Total Fund Balance	<u>4,650,129</u>	<u>-</u>	<u>4,650,129</u>
Total Liabilities and Fund Balances	<u>\$ 4,650,129</u>	<u>\$ -</u>	<u>\$ 4,650,129</u>

**SAN YSIDRO SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	Bond Interest & Redemption	Blended Component Unit	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:			
Other State Revenue	\$ 22,810	\$ -	\$ 22,810
Other Local Revenue	5,354,788	-	5,354,788
Total Revenues	<u>5,377,598</u>	<u>-</u>	<u>5,377,598</u>
Expenditures:			
Debt Service:			
Principal	2,770,000	665,000	3,435,000
Interest	2,134,881	1,811,977	3,946,858
Total Expenditures	<u>4,904,881</u>	<u>2,476,977</u>	<u>7,381,858</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>472,717</u>	<u>(2,476,977)</u>	<u>(2,004,260)</u>
Other Financing Sources (Uses):			
Transfers In	-	2,476,977	2,476,977
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,476,977</u>	<u>2,476,977</u>
Net Change in Fund Balance	472,717	-	472,717
Fund Balance, July 1	4,177,412	-	4,177,412
Fund Balance, June 30	<u>\$ 4,650,129</u>	<u>\$ -</u>	<u>\$ 4,650,129</u>

**SAN YSIDRO SCHOOL DISTRICT**  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2014

EXHIBIT C-7

	Capital Facilities Fund	Capital Outlay Projects	Blended Component Unit Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
<b>ASSETS:</b>				
Cash in County Treasury	\$ 698,377	\$ 5,307	\$ 2,063,007	\$ 2,766,691
Cash with a Fiscal Agent/Trustee	-	-	63,528	63,528
Accounts Receivable	687	5	1,608	2,300
Total Assets	<u>699,064</u>	<u>5,312</u>	<u>2,128,143</u>	<u>2,832,519</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Restricted Fund Balances	\$ 699,064	\$ 5,312	\$ 2,128,143	\$ 2,832,519
Total Fund Balance	<u>699,064</u>	<u>5,312</u>	<u>2,128,143</u>	<u>2,832,519</u>
Total Liabilities and Fund Balances	<u>\$ 699,064</u>	<u>\$ 5,312</u>	<u>\$ 2,128,143</u>	<u>\$ 2,832,519</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, 2014

	Capital Facilities Fund	Capital Outlay Projects	Blended Component Unit Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other Local Revenue	\$ 209,100	\$ 19	\$ 2,677,362	\$ 2,886,481
Total Revenues	<u>209,100</u>	<u>19</u>	<u>2,677,362</u>	<u>2,886,481</u>
Expenditures:				
General Administration	11,150	-	-	11,150
Plant Services	-	-	14,903	14,903
Debt Service:				
Principal	-	-	253,630	253,630
Total Expenditures	<u>11,150</u>	<u>-</u>	<u>268,533</u>	<u>279,683</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>197,950</u>	<u>19</u>	<u>2,408,829</u>	<u>2,606,798</u>
Other Financing Sources (Uses):				
Transfers Out	-	-	(2,476,977)	(2,476,977)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(2,476,977)</u>	<u>(2,476,977)</u>
Net Change in Fund Balance	197,950	19	(68,148)	129,821
Fund Balance, July 1	501,114	5,293	2,196,291	2,702,698
Fund Balance, June 30	<u>\$ 699,064</u>	<u>\$ 5,312</u>	<u>\$ 2,128,143</u>	<u>\$ 2,832,519</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, 2014

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>
Jason Michael-Bradley Wells	President	Four Year Term Expires December 2014
Antonio Martinez	Vice President	Four Year Term Expires December 2016
Jose F. Barajas	Clerk	Four Year Term Expires December 2016
Luciana Corrales	Member	Four Year Term Expires December 2014
Vacant	Member	

Administration

George J. Cameron, Ed.D.  
Interim Superintendent

Gloria Madera  
Assistant Superintendent  
Educational Services

Dena Whittington  
Assistant Superintendent  
Business Services

Jason Romero  
Assistant Superintendent  
Human Resources

**SAN YSIDRO SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**YEAR ENDED JUNE 30, 2014**

**TABLE D-1**

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	2,160.67	N/A	2,155.57	N/A
Extended Year Special Education	-	N/A	1.72	N/A
Nonpublic, Nonsectarian Schools	0.51	N/A	0.91	N/A
TK/K-3 Totals	<u>2,161.18</u>	<u>N/A</u>	<u>2,158.20</u>	<u>N/A</u>
Grades 4-6:				
Regular ADA	1,585.36	N/A	1,583.61	N/A
Extended Year Special Education	-	N/A	1.00	N/A
Nonpublic, Nonsectarian Schools	0.81	N/A	0.96	N/A
Grades 4-6 Totals	<u>1,586.17</u>	<u>N/A</u>	<u>1,585.57</u>	<u>N/A</u>
Grades 7 and 8:				
Regular ADA	1,111.96	N/A	1,112.86	N/A
Extended Year Special Education	-	N/A	0.44	N/A
Nonpublic, Nonsectarian Schools	1.25	N/A	1.28	N/A
Grades 7 and 8 Totals	<u>1,113.21</u>	<u>N/A</u>	<u>1,114.58</u>	<u>N/A</u>
ADA Totals	<u>4,860.56</u>	<u>N/A</u>	<u>4,858.35</u>	<u>N/A</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, 2014**

**TABLE D-2**

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>Ed. Code 46207 Adjusted &amp; Reduced</u>	<u>2013-14 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	55,796	180	-	Complied
Grade 1	50,400	49,000	55,796	180	-	Complied
Grade 2	50,400	49,000	55,796	180	-	Complied
Grade 3	50,400	49,000	55,796	180	-	Complied
Grade 4	54,000	52,500	55,796	180	-	Complied
Grade 5	54,000	52,500	55,796	180	-	Complied
Grade 6	54,000	52,500	55,796	180	-	Complied
Grade 7	54,000	52,500	56,431	180	-	Complied
Grade 8	54,000	52,500	56,431	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, 2014**

**TABLE D-3**

General Fund	Budget 2015 (see note 1)	2014	2013	2012
Revenues and other financial sources	\$ 43,952,554	\$ 41,881,727	\$ 39,790,530	\$ 42,486,736
Expenditures, other uses and transfers out	47,828,048	40,133,797	40,548,648	42,204,433
Change in fund balance (deficit)	(3,875,494)	1,747,930	(758,118)	282,303
Ending fund balance	\$ 2,485,144	\$ 6,360,638	\$ 4,612,708	\$ 5,370,826
Available reserves (see note 2)	\$ -	\$ 2,904,402	\$ 2,666,107	\$ 3,559,949
Available reserves as a percentage of total outgo (see note 3)	-	7.4%	6.7%	8.6%
Total long-term debt	\$ 188,861,750	\$ 193,241,763	\$ 191,546,568	\$ 193,148,614
Average daily attendance at P-2	4,767	4,861	4,919	4,999

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 \$989,812 (18.4%) over the past two years. The fiscal year 2014-2015 budget projects a decrease of \$3,875,494 (60.9%). 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 \$93,149 over the past two years.

Average daily attendance has decreased by 138 over the past two years.

**Notes:**

- 1 Budget 2015 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 \$937,375, \$966,153, and \$941,108, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014, 2013 and 2012.

**SAN YSIDRO SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET**  
**REPORT WITH AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

**TABLE D-4**

	General Fund	Child Development Fund	Cafeteria Fund
June 30, 2014, annual financial and budget report fund balances	\$ 5,308,599	\$ 46,330	\$ 1,323,440
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
Inclusion of on behalf payments for CalSTRS in State Revenue	937,375	29,803	-
Inclusion of on behalf payments for CalSTRS in Instructional Expenses	(937,375)	(29,803)	-
Overstatement of Unearned Revenue for Common Core Funding	1,052,040	-	-
Inclusion of noncash commodities received in Federal Revenue	-	-	72,414
Inclusion of noncash commodities received in Pupil Services Expenses	-	-	(72,414)
Net adjustments and reclassifications	<u>1,052,040</u>	<u>-</u>	<u>-</u>
June 30, 2014, audited financial statement fund balances	<u>\$ 6,360,639</u>	<u>\$ 46,330</u>	<u>\$ 1,323,440</u>
Government Wide Net Position			
June 30, 2014, annual financial and budget report total net position	\$ <u>22,096,753</u>		
Adjustments and reclassifications:			
Increase (decrease) in total liabilities:			
Deferred outflows of resources understatement	3,445,384		
General obligation bonds understatement	(5,439,461)		
Certificates of participation understatement	(68,187)		
Unmatured interest understatement	(1,463,483)		
Unearned revenue overstatement	<u>1,052,040</u>		
Net adjustments and reclassifications	<u>(2,473,707)</u>		
June 30, 2014, audited financial statement total net position	<u>\$ 19,623,046</u>		

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.

**SAN YSIDRO SCHOOL DISTRICT**  
SCHEDULE OF CHARTER SCHOOLS  
YEAR ENDED JUNE 30, 2014

**TABLE D-5**

No charter schools are chartered by San Ysidro School District.

Charter Schools

Included In  
Audit?

---

None

N/A

**SAN YSIDRO SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2014**

**TABLE D-6**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Direct Programs:			
Medi-Cal Billing Option	93.778	-	\$ 47,915
Total Medi-Cal Cluster			<u>47,915</u>
Passed Through State Department of Education:			
Federal Child Care	93.596	13609	44,187
Total U. S. Department of Health and Human Services			<u>92,102</u>
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>			
Passed Through State Department of Education:			
Title I: Part A Basic	84.010	14329	967,145
Special Education: IDEA Mental Health	84.027	14468	33,684
Special Education: IDEA Basic	84.027	13379	754,573
Special Education: IDEA Local Assistance	84.027	10115	1,373
Special Education: IDEA Preschool Local	84.027A	13682	61,594
Special Education: IDEA Preschool	84.173	13430	34,425
Special Education: IDEA Preschool Staff Development	84.173A	13431	333
Total Special Education Cluster			<u>885,982</u>
Title X: McKinney-Vento Homeless Assistance	84.196	14332	111,461
Title III: Immigrant Education	84.365	15146	34,462
Title III: Limited English Proficiency	84.365	14346	353,988
Total Title III			<u>388,450</u>
Title II: Teacher Quality	84.367	14341	366,031
Total Passed Through State Department of Education			<u>2,719,069</u>
Total U. S. Department of Education			<u>2,719,069</u>
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	13526	266,773
National School Lunch Section 11	10.555	13396	1,446,867
National School Lunch Meal Supplement	10.555	23165	97,714
National School Lunch Section 4	10.555	13391	247,870
Commodity Supplemental Food Program *	10.555	13396	72,414
Total Child Nutrition Cluster			<u>2,131,638</u>
Total U. S. Department of Agriculture			<u>2,131,638</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>4,942,809</u></b>

\* 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, 2014

1. 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.

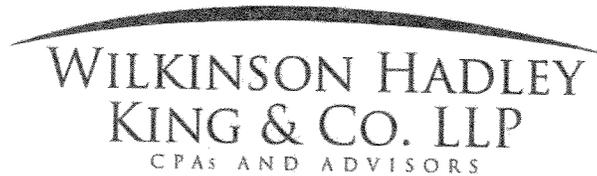
2. Subrecipients

Of the federal expenditures presented in the schedule, San Ysidro School District provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Title I Part A: Basic	84.010	\$ 4,912
Title II: Teacher Quality	84.367	887
Title III: Limited English Proficiency	84.365	810
Total Provided to Subrecipients		<u>\$ 6,609</u>

## Other Independent Auditor's Reports

P. Robert Wilkinson, CPA  
Brian K. Hadley, CPA  
Natalie C. Azzam, CPA



Aubrey W. King, CPA  
Richard K. Savage, CPA  
Kevin A. Sproul, CPA

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, 2014, 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, 2014.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2014-001, that we consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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) 2014-003.

## **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, 2014

P. Robert Wilkinson, CPA  
Brian K. Hadley, CPA  
Natalie C. Azzam, CPA



Aubrey W. King, CPA  
Richard K. Savage, CPA  
Kevin A. Sproul, CPA

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 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 San Ysidro School District's major federal programs for the year ended June 30, 2014. 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 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 San Ysidro School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, 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 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, 2014.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-003. Our opinion on each major federal program is not modified with respect to these matters.

San Ysidro School District's response to the noncompliance 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.

## Report on Internal Control Over Compliance

Management of 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 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 San Ysidro School District's internal control over compliance.

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

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

San Ysidro School District's response to the internal control over compliance findings identified in our audit are 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, 2014

**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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, 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, 2014.

**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, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14* 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, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14* 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:

Description	Procedures In Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	N/A
Continuation Education	10	N/A
Instructional Time for School Districts	10	Yes
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes

Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	N/A
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Yes
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
For Charter Schools:		
Contemporaneous Records of Attendance	8	N/A
Mode of Instruction	1	N/A
Nonclassroom-Based Instruction/Independent Study	15	N/A
Determination of Funding for Nonclassroom-Based Instruction	3	N/A
Annual Instructional Minutes - Classroom Based	4	N/A
Facility Grant Program	1	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, 2014.

### 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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, 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, 2014

## Findings and Recommendations Section

**SAN YSIDRO SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**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?        Yes   X   No

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

Noncompliance material to financial statements noted?        Yes   X   No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

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

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

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
84.365	Title III Limited English Proficiency
84.367	Title II Teacher Quality

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

Auditee qualified as low-risk auditee?   X   Yes        No

**SAN YSIDRO SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014

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?

\_\_\_\_\_ Yes        X   No

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

Unmodified

**B. Financial Statement Findings**

Finding 2014-001 (30000)  
Associated Student Body Accounts

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 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.

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

A new ASB advisor with previous experience in ASB procedures is now in charge. She has met with Business Coordinator. Sign in sheet and agenda of meeting is available.

**SAN YSIDRO SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014

Finding 2013-2 (60000)  
Going Concern Issues

Criteria or Specific Requirement

District financial statements are prepared on the assumption that the district will continue as a going concern. If substantial doubt about going concern arises during the course of the audit, management's plan to mitigate the effects of the adverse conditions or events is evaluated and disclosed in the notes to the financial statements.

Condition

The District faces numerous financial difficulties in the coming years. The District has not been able to make budget cuts sufficient to meet or exceed revenue shortfalls associated with several years of state budget cuts and declining enrollment. Management projects that absent an emergency state loan, the District will deplete its cash balances in June 2016.

Questioned Costs

None

Effect

There is a going concern issue that the District might not meet its financial obligations unless cash flow shortages can be stopped and the budget is brought into balance.

Recommendation

We recommend the District take necessary corrective actions to remediate looming budget and cash flow issues.

LEA's Response

The district continues to monitor the budget and make any appropriate and necessary budget cuts. The district was able to come to an agreement with labor unions in October 2014. The agreement will not allow for any furlough days or salary rollbacks through 2015-16 fiscal year. Budget cuts necessary will be required to come from other areas.

**C. Federal Award Findings and Questioned Costs**

Finding 2013-3 (50000)  
Allowable Costs, Cost Principles  
Federal Time Accounting

Federal Program Information

84.010 - Title I  
84.027 & 84.173 - Special Education Cluster  
84.367 - Title II Teacher Quality  
84.365 - Title III Limited English Proficiency

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

**SAN YSIDRO SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

documentation requirements for time accounting as outlined in OMB Circular A-87.

Condition

In our review of individuals charged to federal major programs we identified the following:

- A. The District was unable to provide signed semi-annual certifications or personnel activity reports (PARs) for six individuals charged to federal major programs.
- B. The District provided documentation for nine employees charged as substitutes or extra duty that was not in compliance with requirements for OMB Circular A-87.
- C. The district provided semi-annual certifications for eleven employees charged to multiple cost objectives rather than monthly PARs.

Questioned Costs

Estimated questioned costs are as follows:

CFDA #	Program	Questioned Costs
84.010	2013-14 Title I	\$43,096
84.027	2013-14 Special Education Basic	\$19,162
84.367	2013-14 Title II Teacher Quality	\$540
84.365	2013-14 Title III Limited English Proficiency	\$19,256
Total Questioned Costs		<u>\$82,054</u>

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:

1. Be prepared at least semiannually.
2. Be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
3. State that the employee worked solely on that single federal program or cost objective during the period covered by the certification.
4. 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:

1. Reflect an after-the-fact distribution of the actual activity of each employee.
2. Account for the total activity for which each employee is compensated.
3. Be prepared at least monthly and coincide with one or more pay periods.
4. 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.

**SAN YSIDRO SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014

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

Director of State and Federal Projects position has been reestablished. Payroll reports with actual employees charged to federal and state programs are provided every month.

**D. State Award Findings and Questioned Costs**

None

**SAN YSIDRO SCHOOL DISTRICT**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2013-1 (30000)  Associated Student Body Accounts</p> <p>San Ysidro Middle School was unable to provide supporting documentation for nine out of ten 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. Establish an ASB Advisor and ensure they understand that they are responsible for oversight of all associated student body activities and deposits.</p>	<p>Not  Implemented</p>	<p>See Current Year Finding</p>
<p>Finding 2013-2 (60000)  Going Concern Issues</p> <p>The district has not been able to make budget cuts sufficient to meet or exceed revenue shortfalls associated with several years of state budget cuts and declining enrollment. The District is at an impasse in negotiations with unions which is preventing the necessary budget cuts to eliminate deficit spending. Management projects that absent an emergency state loan, the District will deplete its cash balances in May 2014.</p> <p>Take necessary actions to remediate looming budget and cash flow issues.</p>	<p>Being  Implemented</p>	<p>See Current Year Finding</p>
<p>Finding 2013-3 (50000)  Allowable Costs, Cost Principles  Federal Time Accounting</p> <p>District documentation of salaries and wages charged to federal programs was not in compliance with the requirements of OMB Circular A-87.</p> <p>Establish procedures to ensure all salaries and wages are documented in accordance with OMB Circular A-87.</p>	<p>Partially  Implemented</p>	<p>See Current Year Finding</p>

**SAN YSIDRO SCHOOL DISTRICT**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2013-4 (50000)  Special Tests and Provisions  Schoolwide Plans</p>		
<p>2012-13 schoolwide plans were not approved until April 2013.</p>		
<p>Establish procedures that ensure schoolwide plans are completed prior to the beginning of the fiscal year to ensure compliance with federal requirements.</p>	<p>Implemented</p>	
<p>Finding 2013-5 (50000)  Special Tests and Provisions  Assessment of Need</p>		
<p>The district was unable to provide a copy of an assessment of local needs for professional development and hiring.</p>		
<p>Maintain a copy of the needs assessment for audit purposes.</p>	<p>Implemented</p>	
<p>Finding 2013-6 (70000)  Instructional Materials</p>		
<p>The district's public hearing to determine the sufficiency of instructional materials was not held within the first eight weeks of school.</p>		
<p>Establish procedures to ensure public hearing is held within the first eight weeks of school to determine sufficiency of instructional materials and supplies.</p>	<p>Implemented</p>	