

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

AUDIT REPORT

JUNE 30, 2013

**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, 2013

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Financial Section

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

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Ysidro School District as of June 30, 2013, 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 Procedures

As described in Note A to the financial statements, in 2013, San Ysidro School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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 P to the financial statements, the District has filed two 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 P 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 2012-13*, 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, 2013 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, 2013

**San Ysidro School District
Management's Discussion and Analysis
Fiscal Year 2012-13
(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 5235 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, 2013. 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 2011-12

- In 2012-13, the district's Net position are \$24.1 million compared to \$31.2 million in 2011-12.
- In 2012-13, overall revenues were \$50.8 million and expenses were \$59.3 million. The district's expenses exceeded revenue by \$8.5 million. In 2011-12 the district's overall revenues were \$54.3 million and expenses were \$57.6 million. Expenses exceeded revenue by \$3.3 million.
- The District enrollment in October 2012 was 5235. This is a decrease of 26 students from October 2011 when the enrollment was at 5261.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

The *statement of activities* presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements can be found on pages 13-14 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 42 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 22-41 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's stability and financial position. The district's assets exceeded liabilities by \$24.1 million at the close of 2012-13.

**SAN YSIDRO SCHOOL DISTRICT
2012-13 NET POSITION
(In Millions of Dollars)**

	Governmental Activities 2011-12	Governmental Activities 2012-13
	<u> </u>	<u> </u>
Current and Other Assets	\$65.2	\$58.3
Capital Assets	<u>\$162.5</u>	<u>\$163.4</u>
Total Assets	\$227.7	\$221.7
Long-Term Debt Outstanding	\$193.1	\$191.5
Other Liabilities	<u>\$3.4</u>	<u>\$6.1</u>
Total Liabilities	\$196.5	\$197.6
Net position:		
Invested in Capital Assets,		
Net of Related Debt	\$13.9	\$16.2
Restricted	\$15.7	\$50.5
Unrestricted	<u>\$1.6</u>	<u>\$(42.6)</u>
Total Net position	<u><u>\$31.2</u></u>	<u><u>\$24.1</u></u>

At the end of the 2012-13, the District is able to report a positive balance in net position.

Governmental activities. The key elements of the District's net position for the year ended June 30, 2012 are as follows:

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

	<u>2011-12</u>	<u>% of Total</u>	<u>2012-13</u>	<u>% of Total</u>
<u>Revenues</u>				
Program Revenues				
Charges for services	\$ 1,718,272	3.16%	\$ 1,433,173	2.83%
Operating grants and contributions	15,003,207	27.61%	12,216,539	24.11%
Capital grants and contributions	3,745	0.01%	0	0.00%
General Revenues				
Property taxes	21,754,426	40.03%	22,052,139	43.52%
Federal and state aid not restricted to specific purposes	15,552,253	28.62%	14,716,205	29.05%
Interest and investment earnings	67,858	0.12%	21,109	0.04%
Interagency revenues	12,865	0.02%	-	0.00%
Miscellaneous	234,945	0.43%	226,683	0.45%
Special and extraordinary items	-	0.00%	-	0.00%
Total Revenues	\$ 54,347,571	100.00%	\$ 50,665,848	100.00%
<u>Expenditures by Function</u>				
Governmental Activities				
Instruction	\$ 32,817,852	57.02%	\$ 30,777,518	53.25%
Pupil services	4,763,349	8.28%	4,345,546	7.52%
General administration	3,115,358	5.41%	3,655,420	6.32%
Plant services	4,600,347	7.99%	5,237,729	9.06%
Ancillary services	-	0.00%	-	0.00%
Community services	-	0.00%	-	0.00%
Enterprise activities	-	0.00%	-	0.00%
Interest on long-term debt	6,430,868	11.17%	8,918,303	15.43%
Other outgo	5,827,058	10.13%	4,865,136	8.42%
Business-type Activities				
Enterprise activities	-	0.00%	-	0.00%
Total Expenditures	\$ 57,554,832	100.00%	\$ 57,799,652	100.00%
Increase (Decrease) in Net position	\$ (3,207,261)		\$ (7,133,804)	
Net position - Beginning	\$ 34,433,106		\$ 31,225,846	
Net position - Ending	\$ 31,225,846		\$ 24,092,042	

- The district's total revenue this year decreased from \$54.3 million in FY 2011-12 to \$50.7 million in FY 2012-13.
- State aid COLA (Cost of Living Adjustment) in 2012-13 is 3.24 percent which is 1 percent more 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. The state guarantees that if local taxes do not provide money equal to the base revenue limit guarantee it will make up the difference with state funding.
- The revenue limit per ADA during the year ended June 30, 2013 is \$6,464.47. This is before the deficit factor of 22.272%.
- Expenses related to educating and caring for students (see Figure A-2) is 60.77 percent of the district's total expenditures.

5 YEAR REVENUE LIMIT TABLE

	<u>San Ysidro</u>	<u>% Increase</u>	<u>State Average</u>	<u>Difference</u>
2008-09	\$5,416	-2.62%	\$5,668	(\$252)
2009-10	\$4,750	-12.30%	\$5,235	(\$485)
2010-11	\$5,007	5.41%	\$5,244	(\$237)
2011-12	\$4,955	-1.04%	\$5,189	(\$234)
2012-13	\$5,025	1.41%		

Figure A-1

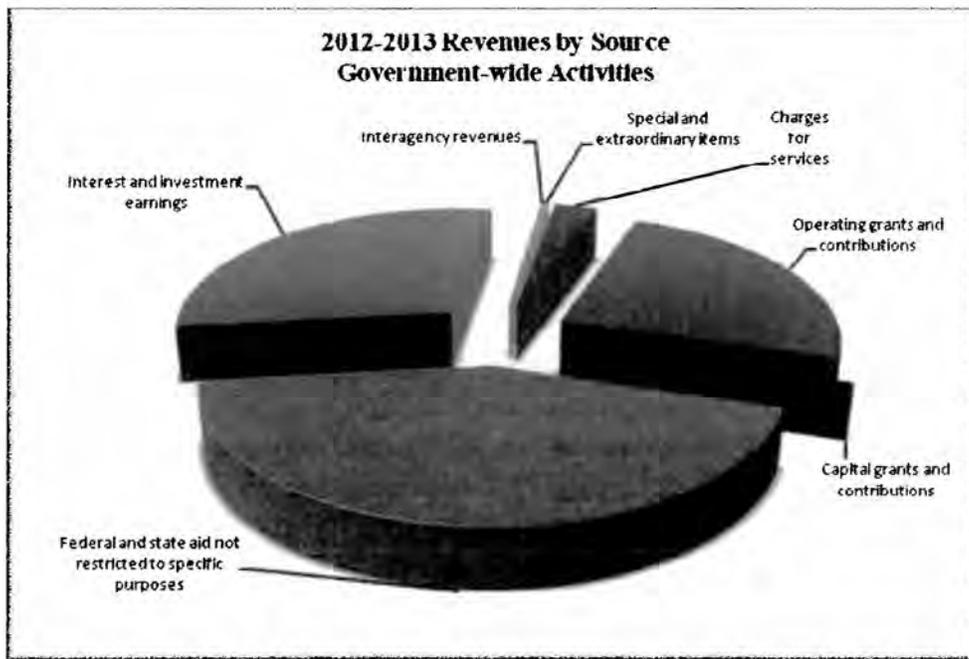
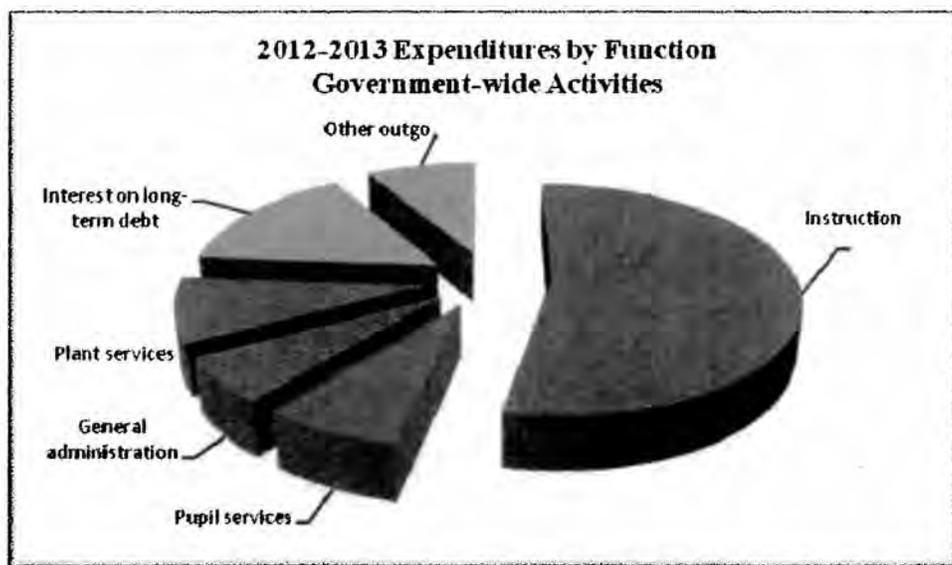


Figure A-2



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 \$49.8 million, \$8.5 million less than last year's fund balance.

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

Fund balance reporting is unique to governmental fund accounting GASB 54 implements a five-tier fund balance classification based on spending constraints on the use of these resources. The components of the district ending fund balance as of June 30, 2013 were:

**SAN YSIDRO SCHOOL DISTRICT
GOVERNMENTAL FUNDS
COMPONENTS OF ENDING FUND BALANCE
IN ACCORDANCE WITH GASB STATEMENT 54
JUNE 30, 2013**

a) Nonspendable		
Revolving Cash	9711	8,898
Stores	9712	109,664
Prepaid Expenditures	9713	3,000
All Others	9719	-
b) Restricted	9740	47,036,121
c) Committed		
Stabilization Arrangements	9750	-
Other Commitments	9760	-
d) Assigned		
Other Assignments	9780	-
d) Unassigned		
Reserve for Economic Uncertainties	9789	1,187,475
Unassigned/Unappropriated	9790	1,478,631

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 \$0.65 million or 1.63% in total general fund expenditures budget.
- During the year, final budgeted revenues exceeded original budgetary estimates by \$3.2 million or 8.99% to account for 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 2011-12 to 2012-13.

SAN YSIDRO SCHOOL DISTRICT GENERAL FUND – MAJOR FUND					
<i>Expenditures by Function</i>	2011-12	2012-13		Change	
		Amount	%	Amount	%
General Education Grades K-12	\$27,786,889	\$25,949,643	65.56%	(\$1,873,246)	-6.61%
Instruction Related Services	1,260,553	1,100,739	2.78%	(\$159,814)	-12.68%
School Administration	2,354,797	2,300,218	5.81%	(\$54,579)	-2.32%
Pupil Services	1,688,425	1,750,863	4.42%	\$62,438	3.70%
Transportation	852,241	524,370	1.32%	(\$327,871)	-38.47%
General Administration	2,346,604	2,667,376	6.74%	\$320,772	13.67%
Central Data Processing	437,421	614,386	1.55%	\$176,965	-40.46%
Maintenance & Operations	3,988,875	4,186,169	10.58%	\$197,294	4.95%
Other Outgo	547,520	488,729	1.24%	(\$58,791)	-10.74%
Total	\$41,263,325	\$39,582,495	100.00%	(\$1,680,830)	
Final October CBEDS Enrollment	5,261	5,235		(26)	
Expenditures per Student =	\$7,843.25	\$7,561.13		\$(282.12)	-3.60%

- The expenditures per student went down 3.60% from \$7,843.25 to \$7,561.13.

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, 2012 and June 30, 2013 are outlined below:

SAN YSIDRO SCHOOL DISTRICT			
CAPITAL ASSETS NET OF DEPRECIATION			
Governmental Activities			
	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>Total Change</u>
Land	\$ 45,896,267	\$ 45,896,267	\$ 0
Improvement of Sites	13,062,488	18,013,956	4,951,468
Buildings	91,364,457	120,546,266	29,181,809
Equipment	4,236,153	4,355,378	119,225
Work in Progress	33,361,480	3,722,359	(29,639,121)
Total Capital Assets	<u>\$ 187,920,845</u>	<u>\$ 192,534,226</u>	<u>\$ 4,613,381</u>

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 \$191.5 million in general obligation bonds, certificates of participation, Qualified Zone Academy Bonds and employment benefits – a decrease of 0.83% from last year – as shown in the table below.

SAN YSIDRO SCHOOL DISTRICT			
LONG-TERM DEBT			
Governmental Activities			
	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>Total Change</u>
General obligation bonds	\$ 146,646,390	\$ 146,016,483	\$ (629,907)
Certificates of Participation	41,247,715	40,583,395	(664,320)
Qualified zone academic bonds	2,536,300	2,282,670	(253,630)
Compensated absences	129,948	223,484	93,536
SERP	1,403,697	935,798	(467,899)
Net OPEB obligations	1,184,564	1,504,738	320,174
Total Long-Term Debt	<u>\$ 193,148,614</u>	<u>\$ 191,546,568</u>	<u>\$ (1,602,046)</u>

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 2010</u>	<u>Chg</u>	<u>Oct 2011</u>	<u>Chg</u>	<u>Oct 2012</u>
K	571	2	573	(29)	544
1	586	24	610	36	646
2	560	20	580	21	601
3	576	8	584	(11)	573
4	562	(11)	551	21	572
5	574	8	582	(22)	560
6	542	33	575	25	600
7	591	(26)	565	(6)	559
8	579	62	641	(61)	580
TOTAL	5,141	120	5,261	(26)	5,235
	<u>2010-11</u>	<u>Chg</u>	<u>2011-12</u>	<u>Chg</u>	<u>2012-13</u>
Elementary K-6	3,971	84	4,055	41	4,096
Middle 7-8	1,170	36	1,206	(67)	1,139
TOTAL	5,141	120	5,261	(26)	5,235

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, 2013

	<u>Governmental Activities</u>
ASSETS:	
Cash	\$ 47,264,585
Receivables	6,442,220
Stores	109,664
Prepaid Expenses	3,000
Prepaid Debt Issue Costs	4,538,497
Capital Assets:	
Land	45,896,267
Improvements	18,013,956
Buildings	120,546,266
Equipment	4,355,378
Work in Progress	3,722,358
Less Accumulated Depreciation	<u>(29,155,951)</u>
Total Assets	<u>221,736,240</u>
LIABILITIES:	
Accounts Payable and Other Current Liabilities	3,419,613
Current Loans	1,810,332
Unearned Revenue	867,685
Long-Term Liabilities:	
Due Within One Year	4,100,013
Due in More Than One Year	171,823,100
Accreted Interest	15,623,455
Total Liabilities	<u>197,644,198</u>
NET POSITION:	
Net Investment in Capital Assets	16,223,558
Restricted for:	
Capital Projects	39,725,162
Debt Service	4,177,412
Educational Programs	1,848,260
Other Purposes (Expendable)	64,963
Other Purposes (Nonexpendable)	4,660,059
Unrestricted	<u>(42,607,372)</u>
Total Net Position	<u>\$ 24,092,042</u>

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities:					
Instruction	\$ 27,145,535	\$ 881,428	\$ 7,649,213	\$ -	\$ (18,614,894)
Instruction-Related Services:					
Instructional Supervision and Administration	823,937	5,903	614,463	-	(203,571)
Instructional Library, Media and Technology	418,871	-	205,413	-	(213,458)
School Site Administration	2,389,175	2,428	508,807	-	(1,877,940)
Pupil Services:					
Home-to-School Transportation	534,638	-	112,221	-	(422,417)
Food Services	1,933,850	101,327	2,151,186	-	318,663
All Other Pupil Services	1,877,058	6,603	188,453	-	(1,682,002)
General Administration:					
Centralized Data Processing	621,251	1,698	6,077	-	(613,476)
All Other General Administration	3,034,169	9,430	439,500	-	(2,585,239)
Plant Services	5,237,729	424,356	341,206	-	(4,472,167)
Interest on Long-Term Debt	8,918,303	-	-	-	(8,918,303)
Debt Issue Costs	206,593	-	-	-	(206,593)
Depreciation (Unallocated)*	4,658,543	-	-	-	(4,658,543)
Total Expenses	<u>\$ 57,799,652</u>	<u>\$ 1,433,173</u>	<u>\$ 12,216,539</u>	<u>\$ -</u>	<u>\$ (44,149,940)</u>
General Revenues:					
Taxes and Subventions:					
Taxes Levied for General Purposes					14,595,063
Taxes Levied for Debt Service					4,630,487
Taxes Levied for Other Specific Purposes					2,826,589
Federal and State Aid Not Restricted to Specific Programs					14,716,205
Interest and Investment Earnings					21,109
Miscellaneous					226,683
Total General Revenues					<u>\$ 37,016,136</u>
Change in Net Position					(7,133,804)
Net Position Beginning					31,225,846
Net Position Ending					<u>\$ 24,092,042</u>

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

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Building Fund
ASSETS:		
Cash in County Treasury	\$ 3,640,894	\$ 35,635,403
Cash on Hand and in Banks	11,204	-
Cash in Revolving Fund	8,898	-
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	4,589,604	1,427,147
Due from Other Funds	170,789	-
Stores Inventories	86,445	-
Prepaid Expenditures	3,000	-
Total Assets	<u><u>8,510,834</u></u>	<u><u>37,062,550</u></u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 1,215,968	\$ 34,793
Due to Other Funds	4,140	-
Unearned Revenue	867,685	-
Tax Revenue Anticipation Notes	1,810,332	-
Total Liabilities	<u><u>3,898,125</u></u>	<u><u>34,793</u></u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	8,898	-
Stores Inventories	86,445	-
Prepaid Items	3,000	-
Restricted Fund Balances		
Educational Programs	1,848,260	-
Capital Projects	-	37,027,757
Debt Service	-	-
Child Development Programs	-	-
Child Nutrition Programs	-	-
Unassigned:		
Reserve for Economic Uncertainty	1,187,475	-
Other Unassigned	1,478,631	-
Total Fund Balance	<u><u>4,612,709</u></u>	<u><u>37,027,757</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 8,510,834</u></u>	<u><u>\$ 37,062,550</u></u>

EXHIBIT A-3

Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
\$ 4,177,412	\$ 3,293,944	\$ 46,747,653
-	433,302	444,506
-	-	8,898
-	63,528	63,528
-	425,469	6,442,220
-	4,140	174,929
-	23,219	109,664
-	-	3,000
<u>4,177,412</u>	<u>4,243,602</u>	<u>53,994,398</u>
\$ -	\$ 66,902	\$ 1,317,663
-	170,789	174,929
-	-	867,685
-	-	1,810,332
<u>-</u>	<u>237,691</u>	<u>4,170,609</u>
-	-	8,898
-	23,219	109,664
-	-	3,000
-	-	1,848,260
-	2,702,698	39,730,455
4,177,412	-	4,177,412
-	64,963	64,963
-	1,215,031	1,215,031
-	-	1,187,475
-	-	1,478,631
<u>4,177,412</u>	<u>4,005,911</u>	<u>49,823,789</u>
<u>\$ 4,177,412</u>	<u>\$ 4,243,602</u>	<u>\$ 53,994,398</u>

SAN YSIDRO SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances - governmental funds balance sheet \$ 49,823,789

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	192,534,225	
Accumulated depreciation	(29,155,951)	
Net		163,378,274

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 are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net position are: 4,538,497

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: (2,101,950)

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	146,016,483	
Certificates of participation payable	40,583,395	
Qualified zone academy bonds payable	2,282,670	
Early retirement plan payable	935,798	
Net OPEB obligation payable	1,504,738	
Compensated absences payable	223,484	
Total		(191,546,568)

Net position of governmental activities - statement of net position \$ 24,092,042

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, 2013

	General Fund	Building Fund
Revenues:		
Revenue Limit Sources:		
State Apportionments	\$ 10,935,439	\$ -
Local Sources	14,650,191	-
Federal Revenue	3,204,904	-
Other State Revenue	6,616,888	-
Other Local Revenue	3,416,956	833,587
Total Revenues	<u>38,824,378</u>	<u>833,587</u>
Expenditures:		
Instruction	25,949,644	-
Instruction - Related Services	3,400,957	-
Pupil Services	2,275,234	-
General Administration	3,281,762	-
Plant Services	4,186,169	5,605,867
Other Outgo	10,108	-
Debt Service:		
Principal	467,899	-
Interest	-	-
Debt Issue Costs	10,722	-
Total Expenditures	<u>39,582,495</u>	<u>5,605,867</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(758,117)</u>	<u>(4,772,280)</u>
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	-	-
Other Sources	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(758,117)	(4,772,280)
Fund Balance, July 1	5,370,826	41,800,037
Fund Balance, June 30	<u>\$ 4,612,709</u>	<u>\$ 37,027,757</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

<u>Bond Interest & Redemption</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 10,935,439
-	-	14,650,191
-	2,256,893	5,461,797
20,273	997,061	7,634,222
4,619,045	3,210,204	12,079,792
<u>4,639,318</u>	<u>6,464,158</u>	<u>50,761,441</u>
-	960,558	26,910,202
-	181,846	3,582,803
-	2,129,966	4,405,200
-	150,215	3,431,977
-	1,099,853	10,891,889
-	-	10,108
4,935,000	1,013,630	6,416,529
1,791,821	1,839,285	3,631,106
-	-	10,722
<u>6,726,821</u>	<u>7,375,353</u>	<u>59,290,536</u>
<u>(2,087,503)</u>	<u>(911,195)</u>	<u>(8,529,095)</u>
-	2,599,285	2,599,285
-	(2,599,285)	(2,599,285)
34,969	-	34,969
<u>34,969</u>	<u>-</u>	<u>34,969</u>
(2,052,534)	(911,195)	(8,494,126)
6,229,946	4,917,106	58,317,915
<u>\$ 4,177,412</u>	<u>\$ 4,005,911</u>	<u>\$ 49,823,789</u>

SAN YSIDRO SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds \$ (8,494,126)

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

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is: 1,024,233

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: 6,416,529

Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is: (220,732)

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: (158,800)

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: (5,483,476)

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: (93,536)

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: (320,174)

Amortization of debt issue premium or discount: 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 is amortized as interest over the life of the debt. Amortization of premium and discount for the period is: 196,278

Change in net position of governmental activities - statement of activities \$ (7,133,804)

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 50,973
Total Assets	<u>50,973</u>
LIABILITIES:	
Due to Student Groups	\$ 50,973
Total Liabilities	<u>50,973</u>
NET POSITION:	
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, 2013

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, 2013

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

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

The District reports the following major governmental funds:

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

Building Fund. This fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund (Fund 21) are proceeds from the sale or lease with option-to-purchase of real property (Education Code Section 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (Education Code Section 41003).

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

In addition, the District reports the following fund types:

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

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

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

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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).

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. 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.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings 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 deferred revenue is removed from the combined balance sheet and revenue is recognized.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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.

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.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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 4% 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.

j. 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.

k. GASB 63 Implementation

The District has implemented GASB Statement Number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The purpose of this pronouncement is to improve financial reporting by standardizing the presentation of deferred inflows and outflows of resources and their effects on a government's net position. Transactions that result in consumption or acquisition of net assets in one period that are applicable to future periods as deferred outflows and inflows of resources which are distinguished from assets and liabilities. Net position is the difference between 1) assets and deferred outflows of resources; and 2) liabilities and deferred inflows of resources. For the year ended June 30, 2013 the District did not have any items which would be considered deferred outflows and inflows of resources.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

2. Deficit Fund Balance or Fund net position of Individual Funds

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

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

C. 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 (\$46,747,653 as of June 30, 2013). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$46,703,213. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks (\$495,479 as of June 30, 2013) and in the revolving fund (\$8,898) 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, 2013 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
U.S. Treasury Obligations	<30 Days	\$ 63,528
Total Investments		\$ 63,528

4. 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.

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.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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 Treasury. The District maintains an investment with the San Diego Investment Pool with a fair value of \$46,703,213 and a book value of \$46,747,653. The weighted average days to maturity for this investment pool is 393 days.

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.

D. Accounts Receivable

As of June 30, 2013 accounts receivable consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other Funds	Total
Federal Government					
Federal Programs	\$ 705,054	\$ 335,680	-	-	\$ 1,040,734
State Government					
Revenue Limit Sources	1,260,850	-	-	-	1,260,850
Lottery	403,293	-	-	-	403,293
Class Size Reduction	521,041	-	-	-	521,041
Common Core Funding	837,600	-	-	-	837,600
Other State Programs	853,573	24,857	-	-	878,430
Local Sources					
Interest	2,429	455	29,124	-	32,008
Local Grant	-	62,696	-	-	62,696
Other Local Sources	5,764	18	1,399,786	-	1,405,568
Total	\$ 4,589,604	\$ 423,706	\$ 1,428,910	\$ -	\$ 6,442,220

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

E. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 45,896,267	\$ -	\$ -	\$ 45,896,267
Work in progress	33,361,481	5,442,414	35,081,537	3,722,358
Total capital assets not being depreciated	<u>79,257,748</u>	<u>5,442,414</u>	<u>35,081,537</u>	<u>49,618,625</u>
Capital assets being depreciated:				
Buildings	91,364,457	30,179,809	998,000	120,546,266
Improvements	13,062,488	5,003,268	51,800	18,013,956
Equipment	4,236,153	138,820	19,595	4,355,378
Total capital assets being depreciated	<u>108,663,098</u>	<u>35,321,897</u>	<u>1,069,395</u>	<u>142,915,600</u>
Less accumulated depreciation for:				
Buildings	(17,301,772)	(3,393,305)	(850,700)	(19,844,377)
Improvements	(5,024,901)	(1,057,644)	(41,000)	(6,041,545)
Equipment	(3,081,330)	(207,594)	(18,895)	(3,270,029)
Total accumulated depreciation	<u>(25,408,003)</u>	<u>(4,658,543)</u>	<u>(910,595)</u>	<u>(29,155,951)</u>
Total capital assets being depreciated, net	<u>83,255,095</u>	<u>30,663,354</u>	<u>158,800</u>	<u>113,759,649</u>
Governmental activities capital assets, net	<u>\$ 162,512,843</u>	<u>\$ 36,105,768</u>	<u>\$ 35,240,337</u>	<u>\$ 163,378,274</u>

Depreciation was charged to functions as follows:

Unallocated Depreciation	\$ 4,658,543
	<u>\$ 4,658,543</u>

F. Accounts Payable

As of June 30, 2013 accounts payable consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other Funds	Total
Vendor payables	\$ 548,104	\$ 28,861	\$ 44,123	-	\$ 621,088
Payroll and related liabilities	383,242	23,900	-	-	407,142
Other current liabilities	284,622	4,811	-	-	289,433
Total	<u>\$ 1,215,968</u>	<u>\$ 57,572</u>	<u>\$ 44,123</u>	<u>\$ -</u>	<u>\$ 1,317,663</u>

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

G. Interfund Balances and Activities

1. Due To and Due From Other Funds

Balances due to and due from other funds at June 30, 2013, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Child Development Fund	\$ 72,131	OPEB, Indirect Costs
General Fund	Cafeteria Fund	98,658	OPEB, Indirect Costs
Child Development Fund	General Fund	630	PERS Reduction
Cafeteria Fund	General Fund	3,510	PERS Reduction
	Total	<u>\$ 174,929</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2013, 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	<u>\$ 2,599,285</u>	

H. Unearned Revenue

As of June 30, 2013 unearned revenue consisted of:

	General Fund
Federal Government Federal Programs	\$ 30,085
State Government Common Core Funding	<u>837,600</u>
Total	<u>\$ 867,685</u>

I. 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.

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.

Description	Beginning Balance	Issued	Redeemed	Ending Balance
Temporary Transfer of Funds	\$ -	\$ 1,810,332	\$ -	\$ 1,810,332

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

J. 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, 2013, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 146,646,390	\$ 4,538,230	\$ 5,168,137	\$ 146,016,483	2,490,000
Certificates of participation	41,247,715	58,822	723,142	40,583,395	665,000
Other general long term debt	3,939,997	-	721,529	3,218,468	721,529
Net OPEB obligation	1,184,564	709,892	389,718	1,504,738	-
Compensated absences *	129,948	93,536	-	223,484	223,484
Total governmental activities	\$ <u>193,148,614</u>	\$ <u>5,400,480</u>	\$ <u>7,002,526</u>	\$ <u>191,546,568</u>	\$ <u>4,100,013</u>

* 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, 2013 are as follows:

Year Ending June 30,	Governmental Activities			
	Principal	Accreted Interest	Interest	Total
2014	\$ 3,435,013	\$ -	\$ 2,128,882	\$ 5,563,895
2015	3,876,529	-	2,006,407	5,882,936
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	1,185,238	5,923,868
2019-2023	24,017,738	6,176,099	5,974,660	36,168,497
2024-2028	24,755,141	17,445,541	1,959,745	44,160,427
2029-2033	16,737,397	36,047,603	138,006	52,923,006
2034-2038	17,851,382	47,083,618	-	64,935,000
2039-2043	13,427,824	70,705,176	-	84,133,000
2044-2048	8,584,219	104,425,781	-	113,010,000
2049-2053	4,588,584	77,736,416	-	82,325,000
Totals	\$ <u>129,347,563</u>	\$ <u>360,357,388</u>	\$ <u>16,919,402</u>	\$ <u>506,624,353</u>

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

3. General Obligation Bonds

General obligation bonds at June 30, 2013 consisted of the following:

	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 B	06/01/2001	5.00 - 7.25%	08/01/2022	9,885,000
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>\$ 171,372,609</u>

	Beginning Balance	Increases	Decreases	Ending Balance
1997 Election Series A	\$ 945,000	\$ -	\$ 460,000	\$ 485,000
1997-A Bond Premium	25,249	-	12,625	12,624
1997 Election Series B	30,000	-	30,000	-
1997 Election Series C	720,000	-	620,000	100,000
1997-C Bond Premium	12,419	-	6,210	6,209
1997 Election Series D	19,349,363	-	835,000	18,514,363
1997-D Bond Premium	354,475	-	20,851	333,624
1997-D Accreted Interest	6,931,153	1,206,313	-	8,137,466
1997 Election Series E	33,312,741	-	395,000	32,917,741
1997-E Bond Premium	572,959	-	30,156	542,803
1997-E Accreted Interest	3,365,430	922,956	-	4,288,386
1997 Election Series F	17,599,623	-	2,000,000	15,599,623
1997-F Bond Premium	1,061,397	-	28,686	1,032,711
1997-F Accreted Interest	725,063	1,303,364	-	2,028,427
1997 Election Series G	28,990,884	-	-	28,990,884
1997-G Bond Premium	923,168	-	30,861	892,307
1997-G Accreted Interest	-	1,105,597	-	1,105,597
2012 Refunding Bonds	29,860,000	-	595,000	29,265,000
2012 Bond Premium	1,867,466	-	103,748	1,763,718
Total GO Bonds	<u>\$ 146,646,390</u>	<u>\$ 4,538,230</u>	<u>\$ 5,168,137</u>	<u>\$ 146,016,483</u>

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

The annual requirements to amortize the bonds outstanding at June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,490,000	\$ -	\$ 2,128,882	\$ 4,618,882
2015	3,155,000	-	2,006,407	5,161,407
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	1,185,238	5,670,238
2019-2023	23,003,218	6,176,099	5,974,660	35,153,977
2024-2028	24,755,141	17,445,541	1,959,745	44,160,427
2029-2033	16,737,397	36,047,603	138,006	52,923,006
2034-2038	17,851,382	47,083,618	-	64,935,000
2039-2043	13,427,824	70,705,176	-	84,133,000
2044-2048	8,584,219	104,425,781	-	113,010,000
2049-2053	4,558,584	77,736,416	-	82,295,000
Totals	\$ <u>125,875,611</u>	\$ <u>360,357,388</u>	\$ <u>16,919,402</u>	\$ <u>503,152,401</u>

Amounts for accreted interest in the table represent amounts accrued as of June 30, 2013. 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) at June 30, 2013 consisted of the following:

	<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				\$ <u>44,864,715</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
1998 COPs	\$ 1,950,000	\$ -	\$ 125,000	\$ 1,825,000
2001 COPs	6,105,000	-	180,000	5,925,000
2001 COPs Discount	(25,012)	-	(9,826)	(15,186)
2005 COPs	15,835,000	-	245,000	15,590,000
2005 COPs Discount	(103,778)	-	(25,944)	(77,834)
2007 COPs	7,110,000	-	50,000	7,060,000
2007 COPs Premium	883	-	233	650
2012 COPs	10,409,715	-	160,000	10,249,715
2012 COPs Discount	(38,850)	-	(1,321)	(37,529)
2012 COPs Accreted Interest	4,757	58,822	-	63,579
Total COPs	\$ <u>41,247,715</u>	\$ <u>58,822</u>	\$ <u>723,142</u>	\$ <u>40,583,395</u>

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

The annual requirements to amortize the COPs outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Accreted		Interest	Total
	Principal	Interest		
2014	\$ 665,000	\$ -	\$ 1,811,973	\$ 2,476,973
2015	745,000	-	1,783,034	2,528,034
2016	835,000	-	1,750,548	2,585,548
2017	925,000	-	1,713,832	2,638,832
2018	1,025,000	-	1,672,541	2,697,541
2019-2023	6,630,000	-	7,581,906	14,211,906
2024-2028	8,785,000	-	6,011,786	14,796,786
2029-2033	10,040,000	-	4,385,431	14,425,431
2034-2038	9,020,000	-	1,944,222	10,964,222
2039-2043	1,979,715	1,335,285	350,355	3,665,355
Totals	\$ 40,649,715	\$ 1,335,285	\$ 29,005,628	\$ 70,990,628

Amounts for accreted interest in the table represent amounts accrued as of June 30, 2013. 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, 2013

5. Other General Long Term Debt

As of June 30, 2013 other general long term debt consists 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	\$ 2,536,300	\$ -	\$ 253,630	\$ 2,282,670
SERP Retirement	1,403,697	-	467,899	935,798
Total Other GLTD	<u>\$ 3,939,997</u>	<u>\$ -</u>	<u>\$ 721,529</u>	<u>\$ 3,218,468</u>

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

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2014	\$ 721,529	\$ -	\$ -	\$ 721,529
2015	721,529	-	-	721,529
2016	253,630	-	-	253,630
2017	253,630	-	-	253,630
2018	253,630	-	-	253,630
2019-2023	1,014,520	-	-	1,014,520
Totals	<u>\$ 3,218,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,218,468</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, 2012 the escrow account carried an accrued balance of \$1,341,467. 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, 2013

K. 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 (SDCSRM). 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.

The Districts share of combined unaudited financial information for the year ended June 30, 2013 is as follows:

	SDCSRM (Unaudited) June 30, 2013
Total Assets	\$ 1,559,688
Total Liabilities	1,749,882
Total Fund Balance	\$ <u>(190,194)</u>
Total Revenues	\$ 1,067,253
Total Expenses	1,267,694
Net Change in Fund Balance	\$ <u>(200,441)</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.

L. 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.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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 2012-13 was 11.417% 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, 2013, 2012 and 2011 were \$773,103, \$736,312 and \$731,564, 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.

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 2012-13 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, 2013, 2012 and 2011 were \$1,591,600, \$1,655,116 and \$1,674,183, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$998,465.

M. 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	<u>496</u>

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 is as follows:

Annual required contribution	\$ 733,067
Interest on net OPEB obligation	59,228
Adjustment to annual required contribution	(82,403)
Annual OPEB Cost	<u>709,892</u>
Contributions made	(389,718)
Increase in OPEB obligation	<u>320,174</u>
Net OPEB obligation, beginning of year	1,184,564
Net OPEB obligation, end of year	<u>\$ 1,504,738</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.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

In the June 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.

N. 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.

Construction Commitments

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

O. Subsequent Events

Effective for the fiscal year beginning July 1, 2013 the District is implementing GASB Statement Number 65, Items Previously Reported as Assets and Liabilities. The purpose of this pronouncement is to improve financial reporting by clarifying the appropriate use of the financial statement elements of deferred inflows and outflows of resources to ensure consistency in financial reporting. With implementation of this pronouncement, the District will recognize certain items previously reported as assets or liabilities as outflows of resources or inflows of resources.

P. 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 a negative certification for 2012-13 second interim reports with the San Diego County Office of Education. In addition, the District has filed a negative certification for 2013-14 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.
3. California's budget challenges have adversely impacted the District's general fund operating budget.
4. The District is at an impasse in negotiations with unions which is preventing them from making necessary budget cuts to eliminate the deficit spending.

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 has already identified and implemented all non-negotiable budget cuts. For 2013-14, the amount of estimated reductions still needed is \$2,666,192, which will be obtained by a combination of furlough days and salary rollbacks that will be negotiated with each labor group.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

The estimated fair share of reductions per employee group as determined by their percentage of total payroll is:

Certificated	\$ 2,014,575
Classified	651,617
Management/Confidential	Furlough days already implemented
Total	<u>\$ 2,666,192</u>

Potential savings per group:

	One Furlough Day	One Percent Salary Rollback
Certificated	\$ 97,581	\$ 181,500
Classified	25,783	59,729
Management/Confidential	11,769	26,657
Total	<u>\$ 135,133</u>	<u>\$ 267,886</u>

Current legislature will allow reducing the school year by five instructional days (potential savings of \$616,820 on certificated and classified groups). In addition, there are non-instructional work days that can be negotiated to furlough days depending on the calendar.

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, 2013

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 10,194,277	\$ 11,188,908	\$ 10,935,439	\$ (253,469)
Local Sources	13,173,659	14,379,984	14,650,191	270,207
Federal Revenue	2,439,076	3,571,437	3,204,904	(366,533)
Other State Revenue	5,862,037	6,568,643	6,616,888	48,245
Other Local Revenue	3,951,647	3,681,066	3,416,956	(264,110)
Total Revenues	<u>35,620,696</u>	<u>39,390,038</u>	<u>38,824,378</u>	<u>(565,660)</u>
Expenditures:				
Current:				
Certificated Salaries	19,536,793	19,378,938	18,860,165	518,773
Classified Salaries	6,040,149	6,631,833	6,527,543	104,290
Employee Benefits	7,385,759	7,157,757	7,036,283	121,474
Books And Supplies	2,014,438	2,506,090	1,274,213	1,231,877
Services And Other Operating Expenditures	4,965,211	5,715,938	5,541,321	174,617
Other Outgo	-	-	10,108	(10,108)
Direct Support/Indirect Costs	300,478	305,171	(144,785)	449,956
Capital Outlay	24,788	10,000	9,748	252
Debt Service:				
Principal	-	-	467,899	(467,899)
Total Expenditures	<u>40,267,616</u>	<u>41,705,727</u>	<u>39,582,495</u>	<u>2,123,232</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,646,920)</u>	<u>(2,315,689)</u>	<u>(758,117)</u>	<u>1,557,572</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(4,646,920)</u>	<u>(2,315,689)</u>	<u>(758,117)</u>	<u>1,557,572</u>
Fund Balance, July 1	5,370,826	5,370,826	5,370,826	-
Fund Balance, June 30	<u>\$ 723,906</u>	<u>\$ 3,055,137</u>	<u>\$ 4,612,709</u>	<u>\$ 1,557,572</u>

SAN YSIDRO SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
POST EMPLOYMENT HEALTHCARE BENEFITS
YEAR ENDED JUNE 30, 2013

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%

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, 2013

	Special Revenue Funds	Debt Service Fund Blended Component Unit	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 647,207	\$ -	\$ 2,646,737	\$ 3,293,944
Cash on Hand and in Banks	433,302	-	-	433,302
Cash with a Fiscal Agent/Trustee	-	-	63,528	63,528
Accounts Receivable	423,706	-	1,763	425,469
Due from Other Funds	4,140	-	-	4,140
Stores Inventories	23,219	-	-	23,219
Total Assets	<u>1,531,574</u>	<u>-</u>	<u>2,712,028</u>	<u>4,243,602</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 57,572	\$ -	\$ 9,330	\$ 66,902
Due to Other Funds	170,789	-	-	170,789
Total Liabilities	<u>228,361</u>	<u>-</u>	<u>9,330</u>	<u>237,691</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	23,219	-	-	23,219
Restricted Fund Balances				
Child Development Program	64,963	-	-	64,963
Child Nutrition Program	1,215,031	-	-	1,215,031
Capital Projects	-	-	2,702,698	2,702,698
Total Fund Balance	<u>1,303,213</u>	<u>-</u>	<u>2,702,698</u>	<u>4,005,911</u>
Total Liabilities and Fund Balances	<u>\$ 1,531,574</u>	<u>\$ -</u>	<u>\$ 2,712,028</u>	<u>\$ 4,243,602</u>

SAN YSIDRO SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds	Debt Service Fund Blended Component Unit	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 2,256,893	\$ -	\$ -	\$ 2,256,893
Other State Revenue	997,061	-	-	997,061
Other Local Revenue	558,476	-	2,651,728	3,210,204
Total Revenues	<u>3,812,430</u>	<u>-</u>	<u>2,651,728</u>	<u>6,464,158</u>
Expenditures:				
Instruction	960,558	-	-	960,558
Instruction - Related Services	181,846	-	-	181,846
Pupil Services	2,129,966	-	-	2,129,966
General Administration	144,785	-	5,430	150,215
Plant Services	51,993	-	1,047,860	1,099,853
Debt Service:				
Principal	-	760,000	253,630	1,013,630
Interest	-	1,839,285	-	1,839,285
Total Expenditures	<u>3,469,148</u>	<u>2,599,285</u>	<u>1,306,920</u>	<u>7,375,353</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>343,282</u>	<u>(2,599,285)</u>	<u>1,344,808</u>	<u>(911,195)</u>
Other Financing Sources (Uses):				
Transfers In	-	2,599,285	-	2,599,285
Transfers Out	-	-	(2,599,285)	(2,599,285)
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,599,285</u>	<u>(2,599,285)</u>	<u>-</u>
Net Change in Fund Balance	343,282	-	(1,254,477)	(911,195)
Fund Balance, July 1	959,931	-	3,957,175	4,917,106
Fund Balance, June 30	<u>\$ 1,303,213</u>	<u>\$ -</u>	<u>\$ 2,702,698</u>	<u>\$ 4,005,911</u>

SAN YSIDRO SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2013

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 109,845	\$ 537,362	\$ 647,207
Cash on Hand and in Banks	3	433,299	433,302
Accounts Receivable	62,825	360,881	423,706
Due from Other Funds	630	3,510	4,140
Stores Inventories	-	23,219	23,219
Total Assets	<u>173,303</u>	<u>1,358,271</u>	<u>1,531,574</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 36,209	\$ 21,363	\$ 57,572
Due to Other Funds	72,131	98,658	170,789
Total Liabilities	<u>108,340</u>	<u>120,021</u>	<u>228,361</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	-	23,219	23,219
Restricted Fund Balances			
Child Development Program	64,963	-	64,963
Child Nutrition Program	-	1,215,031	1,215,031
Total Fund Balance	<u>64,963</u>	<u>1,238,250</u>	<u>1,303,213</u>
Total Liabilities and Fund Balances	<u>\$ 173,303</u>	<u>\$ 1,358,271</u>	<u>\$ 1,531,574</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, 2013

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ 77,659	\$ 2,179,234	\$ 2,256,893
Other State Revenue	837,954	159,107	997,061
Other Local Revenue	448,250	110,226	558,476
Total Revenues	<u>1,363,863</u>	<u>2,448,567</u>	<u>3,812,430</u>
Expenditures:			
Instruction	960,558	-	960,558
Instruction - Related Services	181,846	-	181,846
Pupil Services	108,273	2,021,693	2,129,966
General Administration	58,881	85,904	144,785
Plant Services	51,993	-	51,993
Total Expenditures	<u>1,361,551</u>	<u>2,107,597</u>	<u>3,469,148</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,312</u>	<u>340,970</u>	<u>343,282</u>
Net Change in Fund Balance	2,312	340,970	343,282
Fund Balance, July 1	62,651	897,280	959,931
Fund Balance, June 30	<u>\$ 64,963</u>	<u>\$ 1,238,250</u>	<u>\$ 1,303,213</u>

SAN YSIDRO SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2013

	Capital Facilities Fund	Capital Outlay Projects	Blended Component Unit Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 500,718	\$ 5,289	\$ 2,140,730	\$ 2,646,737
Cash with a Fiscal Agent/Trustee	-	-	63,528	63,528
Accounts Receivable	396	4	1,363	1,763
Total Assets	<u>501,114</u>	<u>5,293</u>	<u>2,205,621</u>	<u>2,712,028</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ 9,330	\$ 9,330
Total Liabilities	<u>-</u>	<u>-</u>	<u>9,330</u>	<u>9,330</u>
Fund Balance:				
Restricted Fund Balances				
Capital Projects	501,114	5,293	2,196,291	2,702,698
Total Fund Balance	<u>501,114</u>	<u>5,293</u>	<u>2,196,291</u>	<u>2,702,698</u>
Total Liabilities and Fund Balances	<u>\$ 501,114</u>	<u>\$ 5,293</u>	<u>\$ 2,205,621</u>	<u>\$ 2,712,028</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, 2013

	Capital Facilities Fund	Capital Outlay Projects	Blended Component Unit Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other Local Revenue	\$ 4,287	\$ 19	\$ 2,647,422	\$ 2,651,728
Total Revenues	<u>4,287</u>	<u>19</u>	<u>2,647,422</u>	<u>2,651,728</u>
Expenditures:				
General Administration	5,430	-	-	5,430
Plant Services	-	-	1,047,860	1,047,860
Debt Service:				
Principal	-	-	253,630	253,630
Total Expenditures	<u>5,430</u>	<u>-</u>	<u>1,301,490</u>	<u>1,306,920</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,143)</u>	<u>19</u>	<u>1,345,932</u>	<u>1,344,808</u>
Other Financing Sources (Uses):				
Transfers Out	-	-	(2,599,285)	(2,599,285)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(2,599,285)</u>	<u>(2,599,285)</u>
Net Change in Fund Balance	(1,143)	19	(1,253,353)	(1,254,477)
Fund Balance, July 1	502,257	5,274	3,449,644	3,957,175
Fund Balance, June 30	<u>\$ 501,114</u>	<u>\$ 5,293</u>	<u>\$ 2,196,291</u>	<u>\$ 2,702,698</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, 2013

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 November 2014
Yolanda M. Hernandez	Vice President	Four Year Term Expires November 2014
Antonio Martinez	Clerk	Four Year Term Expires November 2016
Jean A. Romero	Member	Four Year Term Expires November 2014
Jose F. Barajas	Member	Four Year Term Expires November 2016

Administration

Gloria Madera
 Superintendent's Designee/
 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, 2012

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Elementary:				
Kindergarten	490.38	N/A	487.25	N/A
Grades 1 through 3	1,639.62	N/A	1,628.41	N/A
Grades 4 through 6	1,558.28	N/A	1,559.47	N/A
Grades 7 and 8	1,021.10	N/A	1,022.01	N/A
Home and hospital	3.95	N/A	3.78	N/A
Special education	205.36	N/A	207.17	N/A
Elementary totals	<u>4,918.69</u>	<u>N/A</u>	<u>4,908.09</u>	<u>N/A</u>
ADA totals	<u>4,918.69</u>	<u>N/A</u>	<u>4,908.09</u>	<u>N/A</u>

Note: There were no findings which resulted in revisions to the second principal or annual reports of attendance.

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

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2013

TABLE D-2

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1982-83 Adjusted & Reduced</u>	<u>1986-87 Minutes Requirement</u>	<u>1986-87 Adjusted & Reduced</u>	<u>2012-13 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	31,500	30,625	36,000	35,000	39,600	176	-	Complied
Grade 1	49,875	48,490	50,400	49,000	54,476	176	-	Complied
Grade 2	49,875	48,490	50,400	49,000	54,476	176	-	Complied
Grade 3	49,875	48,490	50,400	49,000	54,476	176	-	Complied
Grade 4	49,875	48,490	54,000	52,500	54,476	176	-	Complied
Grade 5	49,875	48,490	54,000	52,500	54,476	176	-	Complied
Grade 6	49,875	48,490	54,000	52,500	54,476	176	-	Complied
Grade 7	52,626	51,164	54,000	52,500	56,816	176	-	Complied
Grade 8	52,626	51,164	54,000	52,500	56,690	176	-	Complied

Districts, including basic aid districts, must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201. 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.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2013

TABLE D-3

General Fund	Budget 2014 (See Note 1)	2013	2012	2011
Revenues and other financial sources	\$ 37,913,295	\$ 38,824,377	\$ 41,545,628	\$ 42,989,075
Expenditures, other uses and transfers out	43,595,500	39,582,495	41,263,325	43,297,456
Change in fund balance (deficit)	(5,682,205)	(758,118)	282,303	(308,381)
Ending fund balance	\$ (1,069,497)	\$ 4,612,708	\$ 5,370,826	\$ 5,088,523
Available reserves (See Note 2)	\$ -	\$ 2,666,107	\$ 3,559,949	\$ 4,800,016
Available reserves as a percentage of total outgo	-	6.7%	8.6%	11.1%
Total long-term debt	\$ 187,446,555	\$ 191,546,568	\$ 193,148,614	\$ 152,226,980
Average daily attendance at P-2	4,917	4,919	4,999	4,950

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 general fund balance has decreased by \$784,196 (14.5%) over the past three years. The fiscal year 2013-2014 budget projects a decrease of \$5,682,205 (123%), which will leave the general fund in a deficit balance. 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 \$39,599,288 over the past three years.

Average daily attendance has decreased by 33 over the past three years.

Notes:

- 1 Budget 2014 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.

SAN YSIDRO SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

TABLE D-4

	Government Wide Statement of Net Position
June 30, 2013, net position, originally reported	\$ <u>19,922,931</u>
Adjustments and reclassifications:	
Increase (decrease) in net assets:	
Prepaid debt issue costs corrections	4,748,507
Unmatured interest corrections	(583,379)
Long term debt corrections	<u>3,983</u>
Net adjustments and reclassifications	<u>4,169,111</u>
June 30, 2013, audited financial statement total net position	\$ <u><u>24,092,042</u></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, 2013

TABLE D-5

No charter schools are chartered by San Ysidro School District.

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

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
Medi-Cal Billing Option	93.778	-	\$ 25,151
Medi-Cal MAA	93.778	-	77,741
Total Medi-Cal Cluster			102,892
Passed Through State Department of Education:			
Federal Child Care	93.596	13609	77,659
Total U. S. Department of Health and Human Services			180,551
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
Title I: Part A Basic	84.010	14329	1,396,332
Special Education: IDEA Mental Health	84.027	14468	26,118
Special Education: IDEA Basic	84.027	13379	833,105
Special Education: IDEA Local Assistance	84.027	10115	2,916
Special Education: IDEA Preschool Local	84.027A	13682	67,072
Special Education: IDEA Preschool	84.173	13430	35,931
Special Education: IDEA Preschool Staff Development	84.173A	13431	341
Total Special Education Cluster			965,483
Title X: McKinney-Vento Homeless Assistance	84.196	14332	118,843
Title II: Enhancing Education Through Technology	84.318	14334	5,172
Title III: Immigrant Education	84.365	15146	30,600
Title III: Limited English Proficiency	84.365	14346	297,223
Total Title III			327,823
Title II: Teacher Quality	84.367	14341	284,696
Total Passed Through State Department of Education			3,098,349
Total U. S. Department of Education			3,098,349
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program	10.553	13526	226,049
National School Lunch Section 11	10.555	13396	1,533,683
National School Lunch Meal Supplement	10.555	23165	94,364
National School Lunch Section 4	10.555	13391	229,547
Commodity Supplemental Food Program *	10.555	13396	95,592
Total Child Nutrition Cluster			2,179,235
Total U. S. Department of Agriculture			2,179,235
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,458,135

* 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, 2013

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	\$ 5,035

Other Independent Auditor's Reports

Wilkinson Hadley King & Co. LLP

CPA's and Advisors
218 W. Douglas Ave.
El Cajon, California

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, 2013, 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, 2013.

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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-1 to be a material weakness.

A *significant deficiency in internal control* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness in internal control, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in by those charged with governance. We did not identify any significant deficiencies in internal control over financial reporting.

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) 2013-2 through 2013-6.

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, 2013

Wilkinson Hadley King & Co. LLP

CPA's and Advisors
218 W. Douglas Ave.
El Cajon, California

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, 2013. 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.

Basis for Qualified Opinion on Child Nutrition Cluster, Title I, Special Education Cluster, and Title II Teacher Quality

As described in item 2013-3, 2013-4, and 2013-5 in the accompanying schedule of findings and questioned costs, San Ysidro School District did not comply with requirements regarding Allowable Costs, Cost Principles and Other Compliance Requirements that are applicable to its Child Nutrition Cluster, Title I, Special Education Cluster, and Title II Teacher Quality. Compliance with such requirements is necessary, in our opinion, for San Ysidro School District to comply with the requirements applicable to that program.

Qualified Opinion on Child Nutrition Cluster, Title I, Special Education Cluster, and Title II Teacher Quality

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Child Nutrition Cluster, Title I, Special Education Cluster, and Title II Teacher Quality for the year ended June 30, 2013.

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.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-3, 2013-4 and 2013-5 to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 15, 2013

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

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 2012-13*, 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, 2013.

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 2012-13* 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 2012-13* published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
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:		
School Districts	6	Yes
County Offices of Education	3	N/A
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
Class Size Reduction (Including Charter Schools):		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	N/A
Only One School Serving Grades K-3	4	N/A
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Yes
Charter Schools		
Contemporaneous Records of Attendance	1	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

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, 2013. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13*, published by the Education Audit Appeals Panel and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-6.

San Ysidro School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on 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*, 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, 2013

Findings and Recommendations Section

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified, Going Concern

Internal control over financial reporting:

One or more material weaknesses identified? X Yes No

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

Noncompliance material to financial statements noted? X Yes 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? X Yes None Reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster
84.010	Title I
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? Yes X No

3. State Awards

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

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

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

B. Financial Statement Findings

Finding 2013-1 (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 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.

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

ASB Advisor has been trained. Sign in sheet and agenda of meeting is available. All necessary forms have been created to keep track of inventory and revenues to match deposits.

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.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

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. 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.

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

All non-negotiable budget cuts have been implemented. Negotiations with both unions are following the collective bargaining process. Management and confidential employees have taken an 8% reduction in salary.

C. Federal Award Findings and Questioned Costs

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

Federal Program Information

10.553 & 10.555 - Child Nutrition Cluster
84.010 - Title I
84.027 & 84.173 - Special Education Cluster
84.367 - Title II Teacher Quality

Federal Grantor Agency

U.S. Department of Education

Pass-Trough Grantor Agency

California Department of Education

Criteria or Specific Requirement

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

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

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 ten individuals charged to federal major programs.
- B. The District provided certifications for four individuals which included a supervisory signature which was different from the individual identified on the document as the supervisor.
- C. The District provided certifications for six individuals which were completed only once during the year rather than semi-annually.
- D. The District provided PARs for three individuals which were completed only once during the year rather than monthly.
- E. The District provided certifications or PARs for five individuals which were signed before the end of the period being certified and therefore could not be an after-the-fact determination of actual effort expended.
- F. The District provided certifications for two individuals that listed beginning dates of the certification but did not list end date of the certification so it cannot be determined the period being certified.
- G. The District provided a semiannual certification for one individual that was signed by the supervisor but not dated; therefore, it could not be determined if it was an after-the-fact determination of actual effort expended.
- H. The District provided two PARs for one individual for the same month but had a different amount of hours worked.

Questioned Costs

Estimated questioned costs are as follows:

<u>CFDA #</u>	<u>Program</u>	<u>Questioned Costs</u>
10.553, 10.555	2012-13 Child Nutrition Cluster	\$118,800
84.010	2012-13 Title I	\$868,100
84.027	2012-13 Special Education Basic	\$468,200
84.027	2012-13 Special Education Preschool Local	\$30,300
84.173	2012-13 Special Education Preschool	\$20,200
84.367	2012-13 Title II Teacher Quality	\$200,940
	Total Questioned Costs	<u><u>\$1,706,540</u></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.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

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

We identified the following causes for errors in time accounting reporting:

1. Documentation was prepared based on budgets rather than actual activities of the employees.
2. Documentation was prepared before the period ended, resulting in certification prior to the activities taking place.
3. Individuals preparing documentation did not have an understanding of the requirements.

Recommendation

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

LEA's Response

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.

Finding 2013-4 (50000)
Special Tests and Provisions
Schoolwide Plans

Federal Program Information

84.010 - Title I

Federal Grantor Agency

U.S. Department of Education

Pass-Through Grantor Agency

California Department of Education

Criteria or Specific Requirement

Verify that the District has established Schoolwide plans for all schools participating in Title I that meet the requirements for the federal grant as identified in the Code of Federal Regulations Section 34.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Condition

In our review of the District's schoolwide plans we noted that the district did not prepare and approve their 2012-13 plans until April 2013.

Questioned Costs

Estimated questioned costs are as follows:

<u>CFDA #</u>	<u>Program</u>	<u>Questioned Costs</u>
84.010	2012-13 Title I	\$1,047,000

Context

The purpose of the schoolwide plan is to coordinate all educational services at the school and to address how the funds provided to the school under Title I and other programs identified in Education Code Section 64000 will be used to improve the academic performance of all students to the level of the performance goals established by the school. The plan serves as the organizer for an individual school's improvement process. The plan should be developed with deep understanding of the root causes of student academic challenges and identify and implement research-based instructional strategies to raise achievement of students who are not yet proficient by state standards. The District is not eligible to expend funds from Title I until the board has approved the schoolwide plan.

Effect

The District was not in compliance with requirements for a schoolwide plan as outlined in Code of Federal Regulations Section 34.

Cause

The District did not have procedures in place to complete their school plans prior to the beginning of the fiscal year for the grant award.

Recommendation

Establish procedures that ensure schoolwide plans are completed prior to the beginning of the fiscal year of the grant to ensure compliance with federal requirements.

LEA's Response

Director of State and Federal Projects position has been reestablished. Schoolwide plans were approved in September. Expenditures were not charged to Title I until the plans were approved.

Finding 2013-5 (50000)
 Special Tests and Provisions
 Assessment of Need

Federal Program Information
 84.367 - Title II Teacher Quality

Federal Grantor Agency
 U.S. Department of Education

Pass-Through Grantor Agency
 California Department of Education

Criteria or Specific Requirement
 Verify that the District has conducted an assessment of local needs for professional development and hiring.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Condition

The District was unable to provide a copy of an assessment of local needs for professional development and hiring.

Questioned Costs

Estimated questioned costs are as follows:

<u>CFDA #</u>	<u>Program</u>	<u>Questioned Costs</u>
84.367	2012-13 Title II Teacher Quality	\$284,696

Context

To be eligible to receive a subgrant of Title II Teacher Quality, a District must conduct an assessment of local needs for professional development and hiring. The needs assessment must be conducted with the involvement of teachers, including teachers who work in Title I, Part A targeted assistance programs and schoolwide program schools (Sections 2122(b)(8) and (c)(20 USC 2122(b)(8) and 2122 (c))).

Effect

The District was not in compliance with requirements for Title II Teacher Quality as outlined above.

Cause

The District did not have procedures in place to document assessment of local needs for professional development and maintain for audit purposes.

Recommendation

Establish procedures that ensure an assessment of local needs for professional development and hiring are documented and maintained for audit purposes.

LEA's Response

Director of State and Federal Projects position has been reestablished. He will oversee the establishment of appropriate procedures.

D. State Award Findings and Questioned Costs

Finding 2013-6 (70000)

Instructional Materials

Criteria or Specific Requirement

Verify that The District held a public hearing to determine the sufficiency of instructional materials within the first eight weeks of school as required by Education Code Section 60119.

Condition

The District held a public hearing to determine the sufficiency of instructional materials on September 20, 2012 which was after the statutory requirement of completing the public hearing within the first eight weeks of school.

Questioned Costs

The District received \$272,477 in instructional materials funding.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Context

Education Code Section 60119 requires that in order to be eligible for funding under the instructional materials funding realignment program the District must hold a public hearing within the first eight weeks of school to determine the sufficiency of instructional materials and supplies.

Effect

The District was not in compliance with requirements to receive funding under the instructional materials funding realignment program.

Cause

The District changed their calendar to start the school year on an earlier date but did not update their calendar to adjust for the earlier deadline for holding a public hearing within the first eight weeks of school.

Recommendation

Establish procedures to ensure public hearing is held within the first eight weeks of school to determine sufficiency of instructional materials and supplies.

LEA's Response

Director of State and Federal Projects position has been reestablished. He will oversee the establishment of appropriate procedures.

SAN YSIDRO SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2012-1 Fixed Assets</p> <p>Detailed listing of fixed assets did not agree with amounts reported on the Schedule of Capital Assets and in the government-wide financial statements.</p>		
<p>Reconcile capital assets details to amounts being reported to ensure accurate reporting.</p>	Implemented	
<p>Finding 2012-2 Associated Student Body</p> <p>Ocean View Hills School did not keep minutes of student body meetings. San Ysidro Middle School was unable to provide supporting documentation for 13 out of 13 deposits tested. San Ysidro Middle School has a student store but does not keep an inventory of items on hand.</p>		
<p>Implement procedures to document and support deposits and inventory. Maintain minutes of student body meetings to support approval of expenditures.</p>	Partially Implemented	See Current Year Finding
<p>Finding 2012-3 Federal Time Accounting</p> <p>The district was unable to provide documentation in compliance with OMB Circular A-87 for 40 out of 40 employees selected from federal major programs.</p>		
<p>Implement procedures to document all time charged to federal programs in compliance with OMB Circular A-87.</p>	Partially Implemented	See Current Year Finding

SAN YSIDRO SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2012-4 Attendance</p> <p>Attendance verifications were not being signed and maintained for attendance at San Ysidro Middle School and at Ocean View Hills School the teachers were back dating signatures so it could not be determined when the verifications took place.</p> <p>Implement procedures to require teachers sign and verify attendance in accordance with approved attendance procedures.</p>	Implemented	
<p>Finding 2012-5 Kindergarten Continuation</p> <p>Beyer Elementary School was unable to provide a signed parental agreement form approved in form and content by the California Department of Education for one student continued in kindergarten.</p> <p>Obtain signed parental agreement forms approved in form and content by the California Department of Education for all students continued in kindergarten.</p>	Implemented	