

San Ysidro School District

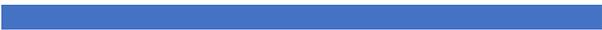
County of San Diego
San Diego, California

Audit Report

June 30, 2019



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



Introductory Section

San Ysidro School District
 Audit Report
 For The Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
FINANCIAL SECTION		
Independent Auditor's Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	3	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	11	Exhibit A-1
Statement of Activities.....	12	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	15	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	16	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	18	Exhibit A-6
Statement of Fiduciary Net Position - Fiduciary Funds.....	20	Exhibit A-7
Notes to the Financial Statements	21	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	58	Exhibit B-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - California State Teachers' Retirement System.....	59	Exhibit B-2
Schedule of District's Contributions - California State Teachers' Retirement System.....	60	Exhibit B-3
Schedule of the District's Proportionate Share of the		
Net Pension Liability - California Public Employees' Retirement System.....	61	Exhibit B-3
Schedule of District's Contributions - California Public Employees' Retirement System..	62	Exhibit B-3
Schedule of Changes in the District's Total OPEB Liability		
And Related Ratios -OPEB Plan	63	Exhibit B-3
Notes to Required Supplementary Information.....	64	
 <u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	67	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	68	Exhibit C-2
 Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	69	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	70	Exhibit C-4

San Ysidro School District
 Audit Report
 For The Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	71	Exhibit C-5
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds.....	72	Exhibit C-6
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure.....	73	
Schedule of Average Daily Attendance.....	74	Table D-1
Schedule of Instructional Time.....	75	Table D-2
Schedule of Financial Trends and Analysis.....	76	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	77	Table D-4
Schedule of Charter Schools.....	78	Table D-5
Schedule of Expenditures of Federal Awards	79	Table D-6
Notes to the Schedule of Expenditures of Federal Awards.....	80	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	81	
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	83	
Independent Auditor's Report on State Compliance.....	85	
Schedule of Findings and Questioned Costs	88	
Letter to Management.....	93	
Corrective Action Plan.....	94	
Summary Schedule of Prior Audit Findings.....	95	

Financial Section



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Independent Auditor's Report

To the Board of Trustees
San Ysidro School District
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Ysidro School District ("the District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Ysidro School District as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and other required supplementary information as identified 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 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 16, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Ysidro School District's internal control over financial reporting and compliance.

Wilkinson Hobbly King & Co., LLP

El Cajon, California
December 16, 2019

SAN YSIDRO SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2019
(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, five elementary schools, and two middle schools housing 4,850 students.

MANAGEMENT’S DISCUSSION AND ANALYSIS

The discussion and analysis of San Ysidro School District’s financial performance provides an overall review of the District’s financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District’s financial performance as a whole. To provide a complete understanding of the District’s financial performance, please read it in conjunction with the Independent Auditor’s Report, the District’s financial statements, and notes to the basic financial statements.

The Management’s Discussion and Analysis (MD & A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD & A.

FINANCIAL HIGHLIGHTS

- General Fund expenditures increased by \$3.7 million or 5.64% as compared to the previous fiscal year amount.
- General Fund expenditures and other uses exceeded revenues and other sources by \$8.1 million.

Overview of the Financial Statements

This annual report consists of the following parts – management’s discussion and analysis (this section), the basic financial statements, required supplementary information, other supplementary information, and findings and recommendations. These statements are organized so the reader can understand the San Ysidro School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Basic Financial Statements

The first two statements are district-wide financial statements, the Statement of Net Position and the Statement of Activities.

These statements provide information about the activities of the whole school district, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's more significant funds with all other non-major funds presented in total in one column.

The financial statements also include notes that explain some of the supplementary information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. A comparison of the District's general fund budget is included.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using methods similar to those used by private-sector companies. The Statement of Net Position includes all the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes in account all the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2018-19?"

These two statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the District as a whole, if the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many non-financial factors, such as the quality of education provided to assess the overall health of the District.

- Increases or decreases in the net position of the District over time are indications of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

Governmental Funds

Most of the District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund, the Capital Projects Fund for Blended Component Units, the Debt Service Fund for Blended Component Units, and the Bond Interest and Redemption Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Fiduciary Funds

The District is the trustee, or fiduciary, for the student activities funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS

The School District as a Whole

The District's net position was (\$117.3) million at June 30, 2019 and was largely due to the continuing recognition of the Net Pension Liability. Of this amount, unrestricted assets were (\$48.2) million. A comparative analysis of government-wide data is presented in Table 1.

The District's net position decreased \$18,001,455 this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 63% of total expenses. The administrative activities of the District accounted for 12% of total costs. The interest paid on long term debt accounted for 6% of total costs. The remaining 19% was spent in the areas of plant services and other expenses. (See Figure 2)

(Table 1)
Comparative Statement of Net Position

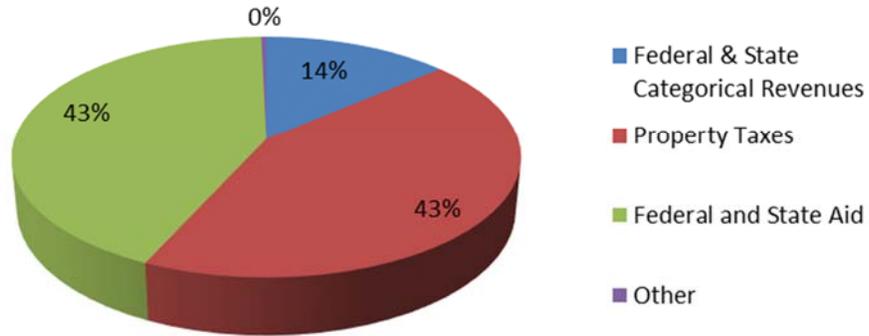
	Governmental Activities	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Assets		
Cash	\$ 16,187,739	\$ 26,845,503
Accounts receivable	2,221,669	1,934,397
Stores inventory	68,950	30,322
Prepaid expenses	8,000	8,000
Capital assets, net of accumulated depreciation	143,275,106	192,936,245
Total Assets	<u><u>\$ 161,761,464</u></u>	<u><u>\$ 221,754,467</u></u>
Deferred Outflows of Resources		
Deferred outflows of resources - pensions	<u><u>\$ 35,658,417</u></u>	<u><u>\$ 36,395,173</u></u>
Liabilities		
Accounts payable and other current liabilities	3,871,824	8,061,852
Unearned revenue	1,733,465	644,594
Long-term liabilities	<u>302,927,307</u>	<u>297,348,798</u>
Total liabilities	<u><u>308,532,596</u></u>	<u><u>306,055,244</u></u>
Deferred Inflows of Resources		
Deferred inflows of resources - pensions	<u><u>\$ 6,203,588</u></u>	<u><u>\$ 6,368,846</u></u>
Net Assets		
Net investment in capital assets	(82,133,307)	(31,915,331)
Restricted	13,052,995	16,479,697
Unrestricted	<u>(48,235,991)</u>	<u>(38,838,816)</u>
Total net position	<u><u>\$ (117,316,303)</u></u>	<u><u>\$ (54,274,450)</u></u>

(Table 2)
Comparative Statement of Change in Net Position

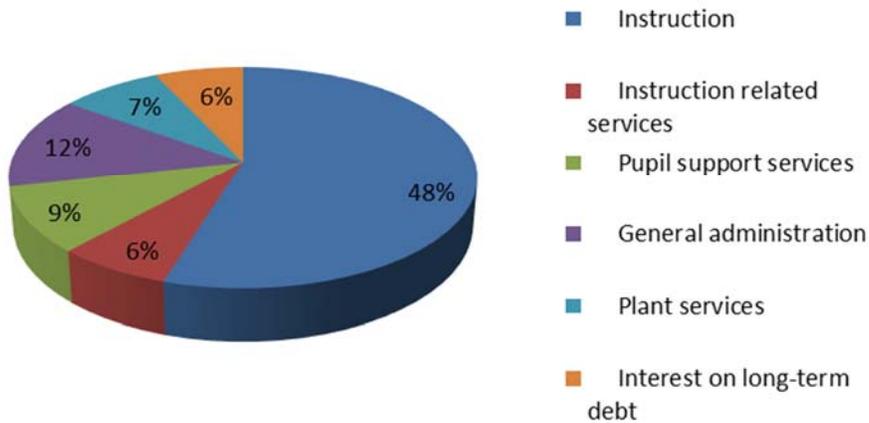
	Governmental Activities	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Revenues		
Program revenues	\$ 9,641,829	\$ 12,748,222
General revenues		
Taxes levied for general purposes	20,609,030	19,647,161
Taxes levied for debt service	6,311,726	6,365,875
Taxes levied for other specific purposes	3,527,530	3,334,448
Federal and state aid not restricted to specific purposes	30,229,416	28,448,168
Interest and investment earnings	136,776	222,547
Miscellaneous	124,228	170,525
Total Revenues	<u>\$ 70,580,535</u>	<u>\$ 70,936,946</u>
Expenses		
Instruction	42,728,684	41,615,692
Instruction related services	5,454,165	6,948,292
Pupil support services	7,540,304	7,952,657
General administration	10,513,887	6,538,324
Plant services	6,285,783	7,768,036
Interest on long-term debt	10,631,343	9,189,117
Other	5,427,824	4,996,087
Total Expenses	<u>88,581,990</u>	<u>85,008,205</u>
Increase (Decrease) in net position	<u>\$ (18,001,455)</u>	<u>\$ (14,071,259)</u>

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$88.6 million. The amount that our local taxpayers financed for these activities through property taxes was \$30.4 million. Federal and State aid not restricted to specific purposes totaled \$30.2 million. Operating grants and contributions and charges for services revenue totaled \$9.6 million.

**Sources of Revenue for the 2018-2019
Fiscal Year - Figure 1**



Expenses for the 2018-2019 Fiscal Year - Figure 2



FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District’s operations in more detail than the government-wide statements. The District’s individual fund statements provide information on inflows and outflows and balances of spendable resources.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District has a broad range of capital assets, including school buildings, administrative buildings, site improvements, vehicles and equipment. Table 3 discloses the Schedule of Capital Assets, Net of Depreciation.

(Table 3)
Comparative Schedule of Capital Assets
(Net of Depreciation)
June 30, 2019 and 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Net \$ Change</u>	<u>Net % Change</u>
Land	\$ 45,896,267	\$ 45,896,267	\$ 0	0.0%
Site Improvements	19,923,026	6,607,823	13,315,203	201.5%
Buildings	134,496,808	83,763,429	50,733,379	60.6%
Equipment	3,300,513	462,229	2,838,284	614.0%
Work in progress	0	56,206,497	(56,206,497)	-100.0%
Total	<u>\$ 203,616,614</u>	<u>\$ 192,936,245</u>	<u>\$ 10,680,369</u>	<u>776.1%</u>

Long-Term Obligations

At June 30, 2019 the District had \$303 million in long-term debt outstanding.

(Table 4)
Comparative Schedule of Outstanding Obligations
June 30, 2019 and 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
General Obligation Bonds	\$ 171,240,998	\$ 169,035,632
Certificates of Participation Payable	51,761,660	52,965,724
Capital Lease Obligation	1,644,865	1,835,700
Other General Long Term Debt	760,890	1,014,520
Net Pension Liability	62,053,765	57,564,457
Total OPEB Liability	15,092,409	14,463,634
Compensated Absences	372,720	469,131
Total	<u>\$ 302,927,307</u>	<u>\$ 297,348,798</u>

FACTORS BEARING ON THE DISTRICT

The State's economic downturns and surpluses impacts the District's future dramatically. The financial well-being of the District is tied in large measure to the state's Local Control Funding Formula (LCFF) which is fully funded beginning in 18-19. Districts will only receive the Cost of Living Adjustment (COLA) moving forward.

Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. San Ysidro experienced a decline in enrollment from 4,733 students in 2017-18 to 4,578 students in 2018-19. This is a decline of 155 students, or a loss of about \$1.6 million. In addition, the district's budget is severely impacted by the increase in pension costs to CalSTRS and CalPERS. In 2018-19, the CalSTRS and CalPERS pension costs increase was about \$550,000. Construction debt payments have also impacted the district's general fund budget. Annual debt payments range from \$700,000 to \$1.0 million.

The district's Superintendent, CBO, and Governance Team are dedicated to correcting past audit findings, implementing tight business controls, training staff, and restoring fiscal stability to the San Ysidro School District to ensure a quality education is provided to our students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Marilyn Adrianzen, Chief Business Official, 4350 Otay Mesa Road, San Ysidro, CA 92173. (619) 428-4476, Extension, 3004.

Basic Financial Statements

SAN YSIDRO SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Cash	\$ 16,187,739
Receivables	2,221,669
Stores	68,950
Prepaid Expenses	8,000
Capital Assets:	
Land	45,896,267
Improvements	19,923,026
Buildings	134,496,808
Equipment	3,300,513
Less Accumulated Depreciation	(60,341,508)
Total Assets	<u>161,761,464</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>35,658,417</u>
LIABILITIES	
Accounts Payable and Other Current Liabilities	3,871,824
Unearned Revenue	1,733,465
Long-Term Liabilities:	
Due Within One Year	7,633,429
Due in More Than One Year	295,293,878
Total Liabilities	<u>308,532,596</u>
DEFERRED INFLOWS OF RESOURCES	<u>6,203,588</u>
NET POSITION	
Net Investment in Capital Assets	(82,133,307)
Restricted for:	
Capital Projects	4,525,758
Debt Service	6,745,296
Educational Programs	1,523,582
Other Purposes (Expendable)	167,976
Other Purposes (Nonexpendable)	90,383
Unrestricted	(48,235,991)
Total Net Position	<u>\$ (117,316,303)</u>

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 42,728,684	\$ 62,675	\$ 5,537,948	\$ -
Instruction-Related Services:				
Instructional Supervision and Administration	1,490,246	-	274,698	-
Instructional Library, Media and Technology	566,017	-	33,094	-
School Site Administration	3,397,902	-	175,903	-
Pupil Services:				
Home-to-School Transportation	998,386	-	22,160	-
Food Services	2,530,745	3,200	1,315,430	-
All Other Pupil Services	4,011,173	1,076	434,890	-
General Administration:				
Centralized Data Processing	1,129,329	-	21,677	-
All Other General Administration	9,384,558	4,043	121,851	-
Plant Services	6,285,783	4,224	126,784	-
Ancillary Services	59,792	-	-	-
Interest on Long-Term Debt	10,631,343	-	-	-
Other Outgo - Transfers Between Agencies	67,459	1,115,643	386,533	-
Other Outgo - Debt Issuance Costs	-	-	-	-
Depreciation (Unallocated)*	5,300,573	-	-	-
Total Expenses	\$ 88,581,990	\$ 1,190,861	\$ 8,450,968	\$ -

General Revenues:

Taxes and Subventions:

Taxes Levied for General Purposes	\$ 20,609,030
Taxes Levied for Debt Service	6,311,726
Taxes Levied for Other Specific Purposes	3,527,530
Federal and State Aid Not Restricted to Specific Programs	30,229,416
Interest and Investment Earnings	136,776
Miscellaneous	124,228
Total General Revenues	\$ 60,938,706

Change in Net Position

(18,001,455)

Net Position Beginning - As Restated (Note Q)

(99,314,848)

Net Position Ending

\$ (117,316,303)

*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, 2019

	General Fund	Blended Component Unit Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash in County Treasury	\$ 1,017,545	\$ 3,632,760
Cash on Hand and in Banks	24,415	-
Cash in Revolving Fund	13,433	-
Cash with a Fiscal Agent/Trustee	3,490,560	53,860
Accounts Receivable	1,655,813	17,284
Due from Other Funds	1,130,509	2,581,731
Stores Inventories	4,569	-
Prepaid Expenditures	8,000	-
Total Assets	<u>7,344,844</u>	<u>6,285,635</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 2,477,100	\$ -
Due to Other Funds	779,699	2,635,849
Unearned Revenue	1,457,994	-
Total Liabilities	<u>4,714,793</u>	<u>2,635,849</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	13,433	-
Stores Inventories	4,569	-
Prepaid Items	8,000	-
Restricted Fund Balances	1,523,582	3,649,786
Assigned Fund Balances	49,780	-
Unassigned:		
Reserve for Economic Uncertainty	1,030,687	-
Total Fund Balance	<u>2,630,051</u>	<u>3,649,786</u>
Total Liabilities and Fund Balances	<u>\$ 7,344,844</u>	<u>\$ 6,285,635</u>

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption	Blended Component Unit Fund	Other Governmental Funds	Total Governmental Funds
\$ 6,745,296	\$ -	\$ 1,208,872	\$ 12,604,473
-	-	1,000	25,415
-	-	-	13,433
-	-	-	3,544,420
-	-	548,571	2,221,668
-	2,581,731	833,816	7,127,787
-	-	64,381	68,950
-	-	-	8,000
<u>6,745,296</u>	<u>2,581,731</u>	<u>2,656,640</u>	<u>25,614,146</u>
\$ -	\$ -	\$ 142,333	\$ 2,619,433
-	2,581,731	1,130,508	7,127,787
-	-	275,471	1,733,465
<u>-</u>	<u>2,581,731</u>	<u>1,548,312</u>	<u>11,480,685</u>
-	-	-	13,433
-	-	64,381	68,950
-	-	-	8,000
6,745,296	-	1,043,947	12,962,611
-	-	-	49,780
-	-	-	1,030,687
<u>6,745,296</u>	<u>-</u>	<u>1,108,328</u>	<u>14,133,461</u>
<u>\$ 6,745,296</u>	<u>\$ 2,581,731</u>	<u>\$ 2,656,640</u>	<u>\$ 25,614,146</u>

SAN YSIDRO SCHOOL DISTRICTRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances - governmental funds balance sheet \$ 14,133,461

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	203,616,614	
Accumulated depreciation	(60,341,508)	
Net		143,275,106

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

14,684,715

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

(1,252,392)

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	171,240,998	
Certificates of participation payable	51,761,660	
Capital leases payable	1,644,865	
Other general long term debt	760,890	
Net pension liability	62,053,765	
Total OPEB liability	15,092,409	
Compensated absences payable	372,720	
Total		(302,927,307)

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

Deferred outflows of resources relating to pensions	20,765,739
Deferred inflows of resources relating to pensions	(6,088,358)

Deferred outflows and inflows of resources related to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported.

Deferred outflows of resources relating to OPEB	207,963
Deferred inflows of resources relating to OPEB	(115,230)

Net position of governmental activities - statement of net position \$ (117,316,303)

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, 2019

	General Fund	Blended Component Unit Fund
	<u> </u>	<u> </u>
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 25,773,427	\$ -
Education Protection Account Funds	2,336,163	-
Local Sources	20,609,028	-
Federal Revenue	2,888,373	-
Other State Revenue	6,847,476	-
Other Local Revenue	3,224,505	3,692,378
Total Revenues	<u>61,678,972</u>	<u>3,692,378</u>
Expenditures:		
Current:		
Instruction	41,603,773	-
Instruction - Related Services	5,294,757	-
Pupil Services	5,016,825	-
Ancillary Services	59,792	-
General Administration	5,909,146	-
Plant Services	6,223,595	60,000
Other Outgo	67,459	-
Capital Outlay	3,958,548	-
Debt Service:		
Principal	190,835	-
Interest	1,011,627	-
Total Expenditures	<u>69,336,357</u>	<u>60,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,657,385)</u>	<u>3,632,378</u>
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	(481,000)	(2,581,731)
Total Other Financing Sources (Uses)	<u>(481,000)</u>	<u>(2,581,731)</u>
Net Change in Fund Balance	(8,138,385)	1,050,647
Fund Balance, July 1	10,768,436	2,599,139
Fund Balance, June 30	<u>\$ 2,630,051</u>	<u>\$ 3,649,786</u>

The accompanying notes are an integral part of this statement.

<u>Bond Interest & Redemption</u>	<u>Blended Component Unit Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 25,773,427
-	-	-	2,336,163
-	-	-	20,609,028
-	-	2,296,250	5,184,623
19,269	-	1,358,260	8,225,005
6,354,580	-	568,639	13,840,102
<u>6,373,849</u>	<u>-</u>	<u>4,223,149</u>	<u>75,968,348</u>
-	-	1,053,618	42,657,391
-	-	278,187	5,572,944
-	-	2,795,426	7,812,251
-	-	-	59,792
-	-	57,185	5,966,331
-	-	106,546	6,390,141
-	-	-	67,459
-	-	1,324,121	5,282,669
3,975,415	1,165,000	-	5,331,250
2,051,129	1,416,731	-	4,479,487
<u>6,026,544</u>	<u>2,581,731</u>	<u>5,615,083</u>	<u>83,619,715</u>
<u>347,305</u>	<u>(2,581,731)</u>	<u>(1,391,934)</u>	<u>(7,651,367)</u>
-	2,581,731	481,000	3,062,731
-	-	-	(3,062,731)
<u>-</u>	<u>2,581,731</u>	<u>481,000</u>	<u>-</u>
347,305	-	(910,934)	(7,651,367)
6,397,991	-	2,019,262	21,784,828
<u>\$ 6,745,296</u>	<u>\$ -</u>	<u>\$ 1,108,328</u>	<u>\$ 14,133,461</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, 2019

Net change in fund balances - total governmental funds \$ (7,651,367)

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

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

Expenditures for Capital Outlay	5,308,382	
Depreciation Expense	<u>(5,300,573)</u>	
Net		7,809

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:

5,331,250

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

-

Cost write-off for cancelled projects. If a planned capital project is cancelled and will not be completed, costs previously capitalized as Work-in-Progress must be written off top expense. Costs written off for cancelled projects were:

(4,628,551)

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:

(5,945,451)

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:

96,411

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

(4,288,089)

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:

(717,063)

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

(206,404)

Change in net position of governmental activities - statement of activities

\$ (18,001,455)

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2019

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 46,682
Total Assets	<u>46,682</u>
LIABILITIES:	
Due to Student Groups	\$ 46,682
Total Liabilities	<u>46,682</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, 2019

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 Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental reporting "entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The San Ysidro School District Public Financing Authority (PFA) and the San Ysidro Community Facilities Districts (CFDs) have a financial and operational relationship which meet the reporting entity definition criteria of the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the PFA and the CFDs as component units of the District. Therefore, the financial activities of the PFA and the CFDs have been included in the basic financial statements of the District as a blended component unit.

The following are those aspects of the relationship between the District, the PFA and the CFDs which satisfy Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, criteria:

Manifestations of Oversight

- a. The PFA and the CFDs Boards of Directors were appointed by the District's Board of Education.
- b. The PFA and the CFDs have no employees. The District's Superintendent, Chief Business Official, and other employees of the District function as agents of the PFA and the CFDs. None of the aforementioned individuals receive additional compensation for work performed in this capacity.
- c. The District exercises significant influence over operations of the PFA and CFDs.

Accounting for Fiscal Matters

- a. All major financing arrangements, contracts, and other transactions of the PFA and the CFDs must have consent of the District.

Scope of Public Service and Financial Presentation

- a. The PFA and CFDs were created for the sole purpose of financially assisting the District.
- b. The PFA and CFDs were created pursuant to a joint powers agreement between the District and the California Statewide Communities Development Authority (CSCDA), pursuant to the California Government Code, commencing with Section 6500. The PFA and CFDs were formed to provide financing assistance to the District for construction and acquisition of major capital facilities.
- c. The PFA and CFDs financial activity are presented in the financial statements in the Capital Projects Fund for Blended Component Units and the Debt Service Fund for Blended Component Units. Debt issued by the PFA and the CFDs are included in the government-wide financial statements.

The District is not a component unit of any other entity.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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. Business-type activities are financed in whole or in part by fees charged to external parties.

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.

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.

Capital Projects Fund for Blended Component Units. This fund accounts for transactions relating to the capital outlay associated with the bond issuances of the District.

Debt Service Fund for Blended Component Units. This fund is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the LEA under generally accepted accounting principals (GAAP).

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).

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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.

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

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

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

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 considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. 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.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

4. Budgets and Budgetary Accounting

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

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

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts.

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, property taxes, interest, certain grants, and other local sources.

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

b. Expenses/Expenditures

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

6. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

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

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

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

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District.

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.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

e. Unearned Revenue

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

f. Interfund Activity

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

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. 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.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

i. Minimum Fund Balance

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

7. Deferred Inflows and Deferred Outflows of Resources

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

8. Pensions

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

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

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

9. Use of Estimates

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

10. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

Level 1 Inputs:	Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
Level 2 Inputs:	Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
Level 3 Inputs:	Unobservable inputs for an asset or liability.

11. Change in Accounting Policies

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2019. Those newly implemented pronouncements are as follows:

GASB 83 - Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 83.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

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

There have been no adjustments to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 88.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

C. Fair Value Measurement

The District's investments at June 30, 2019, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	<u>Amount</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level				
Money Market Funds	\$ 3,544,420	\$ 3,544,420	\$ -	\$ -
Total investments by fair value level	<u>\$ 3,544,420</u>	<u>\$ 3,544,420</u>	<u>\$ -</u>	<u>\$ -</u>
External investment pools measured at fair value				
San Diego County Treasury	\$ 12,604,473	\$ -	\$ 12,604,473	\$ -
Total investments by fair value level	<u>\$ 12,604,473</u>	<u>\$ -</u>	<u>\$ 12,604,473</u>	<u>\$ -</u>

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

The San Diego County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$12,604,473 as of June 30, 2019). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$12,604,473. 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 (\$72,097 as of June 30, 2019) and in the revolving fund (\$13,433) 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. Cash with Fiscal Agent

The District's cash with fiscal agent at June 30, 2019 are shown below.

Investment or Investment Type	Average Days to Maturity	Account Balance
Money Market Funds	<30 Days	\$ 3,544,420
Total Cash with Fiscal Agent		<u>\$ 3,544,420</u>

4. General Authorizations

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

5. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At June 30, 2019, credit risk for the District's investments were as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer's Investment Pool	Unrated	Not Applicable	\$ 12,604,473
Money Market Funds	Unrated	Not Applicable	3,544,420

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. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

As of June 30, 2019 the District's bank balance and investments (including revolving cash) were 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.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

e. Foreign Currency Risk

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

6. 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 in conformity with GASB Statement No. 77 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.

E. Accounts Receivable

As of June 30, 2019, accounts receivable consisted of:

	Major Governmental Funds			Total Governmental Funds
	General Fund	Blended Component Unit Fund	Nonmajor Governmental Funds	
Federal Government				
Title II Supporting Effective Instruction	\$ 163,580	\$ -	\$ -	\$ 163,580
Special Education	945,369	-	-	945,369
Title IV 21st Century	128,435	-	-	128,435
Child Nutrition	-	-	328,952	328,952
Other Federal Programs	27,464	-	28,541	56,005
State Government				
Lottery	224,774	-	-	224,774
Special Education	110,200	-	-	110,200
Child Nutrition	-	-	22,300	22,300
State Preschool	-	-	105,123	105,123
Local Sources				
Interest	47,110	17,284	6,951	71,345
Other Local Sources	8,881	-	56,704	65,585
Total	\$ 1,655,813	\$ 17,284	\$ 548,571	\$ 2,221,668

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

F. Capital Assets

Capital asset activity for the year ended June 30, 2019, 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	4,628,551	-	4,628,551	-
Total capital assets not being depreciated	<u>50,524,818</u>	<u>-</u>	<u>4,628,551</u>	<u>45,896,267</u>
Capital assets being depreciated:				
Buildings	129,868,257	4,628,551	-	134,496,808
Improvements	19,923,026	-	-	19,923,026
Equipment	2,620,682	679,831	-	3,300,513
Total capital assets being depreciated	<u>152,411,965</u>	<u>5,308,382</u>	<u>-</u>	<u>157,720,347</u>
Less accumulated depreciation for:				
Buildings	(39,106,689)	(3,848,024)	-	(42,954,713)
Improvements	(13,540,226)	(1,302,963)	-	(14,843,189)
Equipment	(2,394,020)	(149,586)	-	(2,543,606)
Total accumulated depreciation	<u>(55,040,935)</u>	<u>(5,300,573)</u>	<u>-</u>	<u>(60,341,508)</u>
Total capital assets being depreciated, net	<u>97,371,030</u>	<u>7,809</u>	<u>-</u>	<u>97,378,839</u>
Governmental activities capital assets, net	<u>\$ 147,895,848</u>	<u>\$ 7,809</u>	<u>\$ 4,628,551</u>	<u>\$ 143,275,106</u>

Depreciation was charged to functions as follows:

Unallocated Depreciation	\$ 5,300,573
	<u>\$ 5,300,573</u>

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2019, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Cafeteria Fund	General Fund	\$ 579,699	To cover cash deficit
Capital Facilities Fund	General Fund	200,000	To cover cash deficit
General Fund	Child Development Fund	175,359	Reimbursement of expenses
General Fund	Cafeteria Fund	955,150	Reimbursement of expenses
Special Reserve Fund	Blended Component Unit Fund	54,117	Cover project costs
Blended Component Unit Fund	Blended Component Unit Fund	2,581,731	Cover project costs
Blended Component Unit Fund	Blended Component Unit Fund	2,581,731	COPs debt service payment
	Total	<u>\$ 7,127,787</u>	

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2019, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Cafeteria Fund	\$ 481,000	To cover cash deficit
Blended Component Unit Fund	Blended Component Unit Fund	2,581,731	COPs debt service payment
	Total	<u>\$ 3,062,731</u>	

H. 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. As of June 30, 2019, the District has not entered into any short term debt agreements.

I. Accounts Payable

As of June 30, 2019, accounts payable consisted of:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Vendor payables	\$ 1,075,599	\$ 86,902	\$ 1,162,501
LCFF Overpayment	1,325,964	-	1,325,964
Payroll and related liabilities	71,354	3,515	74,869
Pension related liabilities	<u>4,183</u>	<u>51,916</u>	<u>56,099</u>
Total	<u>\$ 2,477,100</u>	<u>\$ 142,333</u>	<u>\$ 2,619,433</u>

As a result of an overstatement of average daily attendance (ADA) in the 2015-16 fiscal year, the District was overpaid LCFF state apportionments for both the 2015-16 and 2016-17 fiscal years. The District has entered into an agreement with the California Department of Education to repay the 2015-16 overpayment over four years. The District has established an accounts payable item for the 2016-17 overpayments.

As of June 30, 2019, the District has a remaining balance of \$1,325,964 due to the California Department of Education on the LCFF overpayment.

J. Deferred Outflows of Resources

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

In 2015 the District issued refunding bonds to partially repay the 1997 Election Series E, and Series F Bonds. The refunding resulted in a loss on refunding of \$12,326,844 which is recorded as a deferred outflow of resources and amortized over 34 years (the life of the bonds).

In 2015 the District issued refunding certificates of participation to repay the 1998 COPs, 2001 COPS, and 2005 COPs. The refunding resulted in a loss on refunding of \$1,153,080 which is recorded as a deferred outflow of resources and amortized over 20 years (the life of the certificates of participation).

In 2016 the District issued refunding certificates of participation to repay the 2007 COPs. The refunding resulted in a loss on refunding of \$645,711 which is recorded as a deferred outflow of resources and amortized over 21 years (the life of the certificates of participation).

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Debt issue costs for 1997 Election Series F Bonds, 1997 Election Series G Bonds, 2012 Refunding Bonds, 2015 Refunding Bonds, 2007 Certificates of Participation, 2012 Certificates of Participation, 2015 refunding certificates of participation and 2016 refunding certificates of participation each included prepaid debt insurance. In accordance with GASB Statement No. 65, prepaid debt insurance is recorded as a deferred outflow of resources and amortized over the life of the debt.

Consistent with GASB Statement No. 68 & 71, certain items related to net pension liability are recorded as deferred outflows of resources. Further detail on pension related deferred outflows of resources are noted in the pension note disclosure of this audit report.

In accordance with GASB Statement No. 75, payments made subsequent to the total OPEB liability measurement date, and other items are recorded as deferred outflows of resources.

A summary of the deferred outflows of resources as of June 30, 2019 is as follows:

Description	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
2012 Loss on Refunding Bond	\$ 1,496,976	\$ -	\$ 124,748	\$ 1,372,228
2015 Loss on Refunding Bond	11,239,190	-	362,544	10,876,646
2015 Loss on Refunding COPs	980,118	-	57,654	922,464
2016 Loss on Refunding COPs	609,838	-	30,748	579,090
Prepaid Debt Insurance	1,043,022	-	108,735	934,287
Pension Related	20,845,008	10,322,010	10,401,279	20,765,739
OPEB Related	181,021	207,963	181,021	207,963
Total Deferred Outflows of Resources	\$ 36,395,173	\$ 10,529,973	\$ 11,266,729	\$ 35,658,417

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30,	Refunding Losses	Prepaid Debt Insurance	Pension Related	OPEB Related	Total
2020	\$ 575,694	\$ 108,735	\$ 11,210,586	\$ 207,963	\$ 12,102,978
2021	575,694	108,735	4,748,890	-	5,433,319
2022	575,694	108,735	3,934,436	-	4,618,865
2023	575,694	108,735	871,827	-	1,556,256
2024	575,694	108,735	-	-	684,429
Thereafter	10,871,958	390,612	-	-	11,262,570
Totals	\$ 13,750,428	\$ 934,287	\$ 20,765,739	\$ 207,963	\$ 35,658,417

K. Deferred Inflows of Resources

A summary of the deferred inflows of resources as of June 30, 2019 is as follows:

Description	Balance July 1, 2018	Current Year Additions	Current Year Amortization	Balance June 30, 2019
Pension Related	\$ 6,368,846	\$ 2,404,344	\$ 2,684,832	\$ 6,088,358
OPEB Related	-	115,230	-	115,230
Total Deferred Inflows of Resources	\$ 6,368,846	\$ 2,519,574	\$ 2,684,832	\$ 6,203,588

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30,	Pension Related	OPEB Related	Total
2020	\$ 2,076,501	\$ 16,462	\$ 2,092,963
2021	1,771,100	16,462	1,787,562
2022	1,759,889	16,462	1,776,351
2023	480,868	16,462	497,330
2024	-	16,462	16,462
Thereafter	-	32,920	32,920
Totals	<u>\$ 6,088,358</u>	<u>\$ 115,230</u>	<u>\$ 6,203,588</u>

L. 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, 2019, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 169,035,632	\$ 7,225,698	\$ 5,020,332	\$ 171,240,998	\$ 5,454,744
Capital leases	1,835,700	-	190,835	1,644,865	197,074
Certificates of participation	52,965,724	84,870	1,288,934	51,761,660	1,355,261
QZAB Bond	1,014,520	-	253,630	760,890	253,630
Total OPEB liability	14,463,634	628,775	-	15,092,409	-
Net pension liability	57,564,457	4,489,308	-	62,053,765	-
Compensated absences *	469,131	-	96,411	372,720	372,720
Total governmental activities	<u>\$ 297,348,798</u>	<u>\$ 12,428,651</u>	<u>\$ 6,850,142</u>	<u>\$ 302,927,307</u>	<u>\$ 7,633,429</u>

* Other long-term liabilities

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

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General Fund and Cafeteria Fund
Net pension liability	Governmental	General Fund and Cafeteria Fund
Total OPEB liability	Governmental	General Fund and Cafeteria Fund

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

2. Capital Leases

During the 2016-17 fiscal year the District entered into a capital lease agreement with PNC Equipment Finance to fund energy projects for \$1,988,254. The funds were deposited into an escrow account to be restricted specifically for approved energy project expenditures. The lease is payable in semi-annual installments over ten years commencing December 2017. The lease bears a fixed interest rate of 3.243%.

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 197,074	\$ 51,758	\$ 248,832
2021	203,516	45,316	248,832
2022	210,170	38,662	248,832
2023	217,041	31,791	248,832
2024	224,137	24,695	248,832
2025-2029	592,927	29,152	622,079
Totals	<u>\$ 1,644,865</u>	<u>\$ 221,374</u>	<u>\$ 1,866,239</u>

3. General Obligation Bonds

General obligation bonds as of June 30, 2019, consisted of:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
1997 Election Series D	02/01/2005	3.00 - 4.25%	08/01/2029	\$ 24,619,362
1997 Election Series E	11/15/2007	4.00 - 5.00%	08/01/2032	33,952,740
1997 Election Series F	06/28/2011	2.00 - 10.9%	08/01/2050	17,599,623
1997 Election Series G	05/31/2012	5.45 - 12.0%	08/01/2041	28,990,884
2012 Refunding Bonds	06/27/2012	0.50 - 5.00%	08/01/2029	29,860,000
2015 Refunding Bonds	06/03/2015	2.00 - 5.43%	08/01/2048	45,643,442
Total GO Bonds				<u>\$ 180,666,051</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
1997 Election Series D	\$ 15,421,517	\$ -	\$ 985,415	\$ 14,436,102
1997-D Bond Premium	235,500	-	19,625	215,875
1997-D Accreted Interest	14,402,703	1,511,378	859,586	15,054,495
1997 Election Series E	14,137,741	-	-	14,137,741
1997-E Bond Premium	152,666	-	-	152,666
1997-E Accreted Interest	9,686,301	1,256,320	-	10,942,621
1997 Election Series F	580,702	-	-	580,702
1997-F Bond Premium	75,294	-	-	75,294
1997-F Accreted Interest	588,348	130,980	-	719,328
1997 Election Series G	28,990,884	-	-	28,990,884
1997-G Bond Premium	738,457	-	30,770	707,687
1997-G Accreted Interest	10,870,304	2,307,869	-	13,178,173
2012 Refunding Bonds	19,630,000	-	1,930,000	17,700,000
2012 Bond Premium	1,244,976	-	103,748	1,141,228
2015 Refunding Bonds	45,358,442	-	1,060,000	44,298,442
2015 Bond Premium	1,334,547	-	31,188	1,303,359
2015 Accreted Interest	5,587,250	2,019,151	-	7,606,401
Total GO Bonds	<u>\$ 169,035,632</u>	<u>\$ 7,225,698</u>	<u>\$ 5,020,332</u>	<u>\$ 171,240,998</u>

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

The annual requirements to amortize the bonds outstanding at June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total
2020	\$ 4,270,741	\$ 1,057,544	\$ 994,259	\$ 6,322,544
2021	4,594,821	956,744	1,140,179	6,691,744
2022	4,862,218	875,869	1,292,782	7,030,869
2023	4,715,024	773,869	1,804,976	7,293,869
2024	5,018,132	622,950	1,996,868	7,637,950
2025-2029	22,760,343	924,655	21,794,657	45,479,655
2030-2034	16,203,032	23,700	38,221,968	54,448,700
2035-2039	18,019,212	-	50,165,788	68,185,000
2040-2044	17,309,848	-	71,690,152	89,000,000
2045-2049	22,390,500	-	94,824,500	117,215,000
Totals	<u>\$ 120,143,871</u>	<u>\$ 5,235,331</u>	<u>\$ 283,926,129</u>	<u>\$ 409,305,331</u>

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

4. Certificates of Participation (COPs)

Certificates of Participation (COPs) as of June 30, 2019, consisted of:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
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
2015 Refunding COPs	08/18/2015	1.75 - 5.00%	09/01/2034	21,585,000
2016 Refunding COPs	09/29/2016	2.00 - 4.00%	09/01/2035	6,505,000
2017 COPs	08/02/2017	5.00%	09/01/2047	14,000,000
Total COPs				<u>\$ 59,829,715</u>

	Beginning Balance	Increases	Decreases	Ending Balance
2012 COPs	\$ 10,114,715	\$ -	\$ 115,000	\$ 9,999,715
2012 COPs Discount	(31,056)	-	(1,294)	(29,762)
2012 COPs Accreted Interest	418,210	84,870	-	503,080
2015 Refunding COPs	18,650,000	-	915,000	17,735,000
2015 COPs Premium	1,346,865	-	66,079	1,280,786
2016 Refunding COPs	6,470,000	-	135,000	6,335,000
2016 COPs Premium	703,863	-	14,686	689,177
2017 COPs	14,000,000	-	-	14,000,000
2017 COPs Premium	1,293,127	-	44,463	1,248,664
Total COPs	<u>\$ 52,965,724</u>	<u>\$ 84,870</u>	<u>\$ 1,288,934</u>	<u>\$ 51,761,660</u>

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

The annual requirements to amortize the COPs outstanding at June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Total</u>
2020	\$ 1,225,000	\$ 2,074,331	\$ -	\$ 3,299,331
2021	1,325,000	2,039,425	-	3,364,425
2022	1,415,000	2,012,082	-	3,427,082
2023	1,505,000	1,981,154	-	3,486,154
2024	1,635,000	1,927,525	-	3,562,525
2025-2029	9,015,000	8,812,123	-	17,827,123
2030-2034	11,310,000	6,919,189	-	18,229,189
2035-2039	10,360,000	4,260,675	-	14,620,675
2040-2044	5,234,715	2,129,925	1,335,285	8,699,925
2045-2049	5,045,000	656,500	-	5,701,500
Totals	<u>\$ 48,069,715</u>	<u>\$ 32,812,929</u>	<u>\$ 1,335,285</u>	<u>\$ 82,217,929</u>

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

On 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.

On August 18, 2015 the District issued \$21,585,000 in refunding Certificates of Participation. The purpose of issuing the Certificates was to refund remaining payments of the 1998 Certificates of Participation, 2001 Certificates of Participation, and 2005 Certificates of Participation. The proceeds, including premium of \$1,558,824, were used to refund the Certificates as well as pay all issuance costs of the refunding certificates of participation. The Certificates bear interest rates ranging from 1.75% to 5.00% with maturities annually and interest payments semi-annually beginning September 1, 2015 and extending through September 1, 2034.

On September 29, 2016 the District issued \$6,505,000 in refunding Certificates of Participation. The purpose of issuing the Certificates was to refund the 2007 Certificates of Participation. The proceeds, including premium of \$707,671, were used to refund the Certificates as well as pay all issuance costs of the refunding certificates of participation. The Certificates bear interest rates ranging from 2.00-4.00% with maturities annually and interest payments semi-annually beginning September 1, 2017 and extending through September 1, 2035.

On August 2, 2017 the District issued \$14,000,000 in 2017 Certificates of Participation pursuant to a lease agreement with the San Ysidro School District Public Financing Corporation for the purpose of financing certain capital improvements to District facilities, acquire a municipal bond insurance policy and a debt service reserve insurance policy for the certificates, and pay the costs related to the execution and delivery of the certificates. The certificates of participation bear fixed interest rates of 5.00% with annual maturities from September 2027 through September 2047. Interest is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2018. The net proceeds of \$15,333,885 (after premium of \$1,333,885) were deposited to the District's General Fund whereby funds were then transferred to the District's Building Fund.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

5. QZAB Bonds

QZAB Bonds as of June 30, 2019, consisted of:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
QZAB Bonds	10/14/2005	N/A	10/27/2021	\$ 5,000,000
Total Other GLTD				<u>\$ 5,000,000</u>

	Beginning Balance	Increases	Decreases	Ending Balance
QZAB Bonds	\$ 1,014,520	\$ -	\$ 253,630	\$ 760,890
Total Other GLTD	<u>\$ 1,014,520</u>	<u>\$ -</u>	<u>\$ 253,630</u>	<u>\$ 760,890</u>

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

Year Ending June 30,	Principal	Interest	Accreted Interest	Total
2020	\$ 253,630	\$ -	\$ -	\$ 253,630
2021	253,630	-	-	253,630
2022	253,630	-	-	253,630
Totals	<u>\$ 760,890</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 760,890</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, 2017 the escrow account carried an accrued balance of \$3,276,831. 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.

6. Debt Issue Premium or Discount

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

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

	Bonds 1997 Series D		Bonds 1997 Series E		Bonds 1997 Series F		Bonds 1997 Series G		Bonds 2012 Ref.	
Total Interest	\$	30,814,643	\$	43,043,707	\$	213,389,044	\$	88,034,116	\$	9,538,616
Less Premium		(594,306)		(723,738)		(1,090,083)		(925,828)		(1,867,466)
Plus Discount		-		-		-		-		-
Net Interest		<u>30,220,337</u>		<u>42,319,969</u>		<u>212,298,961</u>		<u>87,108,288</u>		<u>7,671,150</u>
Par Amount of COPs	\$	24,619,363	\$	33,952,741	\$	17,599,623	\$	28,990,884	\$	29,860,000
Periods		25		25		39		30		18
Effective Interest Rate		4.91%		4.99%		30.93%		10.02%		1.43%
		Bonds 2015 Ref.								
Total Interest	\$	128,956,075								
Less Premium		(1,342,933)								
Plus Discount		-								
Net Interest		<u>127,613,142</u>								
Par Amount of COPs	\$	45,643,442								
Periods		34								
Effective Interest Rate		8.22%								
		COPS 2012		COPS 2015		COPS 2016		COPS 2017		
Total Interest	\$	10,853,144		\$ 9,324,060		\$ 3,376,150		\$ 16,255,361		
Less Premium		-		(1,558,824)		(707,671)		(1,333,885)		
Plus Discount		39,620		-		-		-		
Net Interest		<u>10,892,764</u>		<u>7,765,236</u>		<u>2,668,479</u>		<u>14,921,476</u>		
Par Amount of COPs	\$	10,409,715		\$ 21,585,000		\$ 6,505,000		\$ 14,000,000		
Periods		30		20		21		30		
Effective Interest Rate		3.49%		1.80%		1.95%		3.55%		

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

M. Unearned Revenue

As of June 30, 2019, unearned revenue consisted of:

	General Fund	Nonmajor Governmental Funds	Total
Federal Government			
Title II Supporting Effective Instruction	\$ 259,972	\$ -	\$ 259,972
Title III LEP	284,869	-	284,869
Head Start Program	-	181,207	181,207
Team Nutrition Training	-	11,596	11,596
Other Categorical Programs	46,417	-	46,417
Title I	481,266	-	481,266
Title IV Student Support	116,831	-	116,831
ESSA School Improvement	86,221	-	86,221
State Government			
State Preschool	-	82,668	82,668
Other Categorical Programs	500	-	500
Local Sources			
Digital Promise Grant	181,918	-	181,918
Total	\$ 1,457,994	\$ 275,471	\$ 1,733,465

N. Joint Ventures (Joint Powers Agreements)

The District participates in two joint ventures under joint powers agreements (JPAs), the San Diego County Schools Risk Management JPA (SDCSR) and the San Diego County Fringe Benefits Consortium (FBC). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and provide workers' compensation, health, and property and liability insurance for its member school districts. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPAs 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 JPAs.

The Districts share of combined audited financial information for the year ended June 30, 2019 was not available at the time this report was issued.

O. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

b. Benefits Paid

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

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

	CalSTRS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	55-60	55-62
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4*
Required Employee Contribution Rates (at June 30, 2019)	10.250%	10.205%
Required Employer Contribution Rates (at June 30, 2019)	16.280%	16.280%
Required State Contribution Rates (at June 30, 2019)	14.772%	14.772%

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

**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date		
Benefit Formula	2% at 55	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1- 2.5%	1.0- 2.5%
Required Employee Contribution Rates (at June 30, 2019)	7.000%	7.000%
Required Employer Contribution Rates (at June 30, 2019)	18.062%	18.062%

c. Contributions

CalSTRS

For the fiscal year ended June 30, 2019 (measurement date June 30, 2018), Section 22950 of the California Education Code requires members to contribute monthly to the system 10.205% (if hired prior to January 1, 2013) or 10.25% (if hired on or after January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 16.28% of creditable compensation for the fiscal year ended June 30, 2019. Rates are defined in Section 22950.5 through the fiscal year ending June 30, 2021. Beginning in the fiscal year ending June 30, 2022 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018) the employee contribution rate was 7.00% and employer contribution rate was 18.062% of covered payroll.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018) the State contributed 14.772% of salaries creditable to CalSTRS. The contributions made by the State during the fiscal year ended June 30, 2019 included amounts resulting from Senate Bill (SB) 90 settlement in which the State contributed an additional \$2.2 Billion to CalSTRS on behalf of the Districts during the 2018-19 fiscal year in order to reduce contribution rates for Districts in 2019-20 and 2020-21. The contribution resulting from SB 90 made up 42% of the total contributions made by the State on behalf of the District. Consistent with the requirements of GASB 85, the District has recorded these contributions as revenue and expense in the fund financial statements (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). Contributions reported for on behalf payments are based on the District's proportionate share of the State's contribution for the fiscal year.

Contributions made by the State on behalf of the District and the State's pension expense associated with District employees for the the past three fiscal years are as follows:

CalSTRS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2017	7.470%	\$ 1,706,982	\$ 2,769,907
2018	8.292%	1,962,761	817,937
2019	14.772%	3,623,300	(714,281)

CalPERS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2019	8.218%	\$ 896,186	-

d. Contributions Recognized

For the fiscal year ended June 30, 2019 (measurement period June 30, 2018), the contributions recognized for each plan were:

	Fund Financial Statements (Current Financial Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 3,993,214	\$ 1,969,641	\$ 5,962,855
Contributions - State On Behalf Payments	3,623,300	896,186	4,519,486
Total Contributions	<u>\$ 7,616,514</u>	<u>\$ 2,865,827</u>	<u>\$ 10,482,341</u>

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

	Government-Wide Financial Statements (Economic Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 3,415,520	\$ 1,638,040	\$ 5,053,560
Contributions - State On Behalf Payments	3,623,300	896,186	4,519,486
Total Contributions	<u>\$ 7,038,820</u>	<u>\$ 2,534,226</u>	<u>\$ 9,573,046</u>

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 40,962,948
CalPERS	21,090,817
Total Net Pension Liability	<u>\$ 62,053,765</u>

The District's net pension liability for each Plan is measured as the proportionate share of the total net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, as actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2018 and June 30, 2019 were as follows:

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	
Proportion June 30, 2018	0.0432%	0.0257%	0.0689%	0.0737%
Proportion June 30, 2019	0.0446%	0.0256%	0.0702%	0.0791%
Change in Proportion	<u>0.0014%</u>	<u>-0.0001%</u>	<u>0.0013%</u>	<u>0.0054%</u>

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

a. Pension Expense

For the measurement period ended June 30, 2018 (fiscal year June 30, 2019), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ 996,685	\$ 3,492,623	\$ 4,489,308
State On Behalf Pension Expense	(714,281)	-	(714,281)
Employer Contributions to Pension Expense	3,993,214	1,969,641	5,962,855
(Increase)/Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(498,840)	(310,467)	(809,307)
Difference Between Actual & Expected Experience	34,487	(904,748)	(870,261)
Change in Assumptions	1,727,603	400,661	2,128,264
Change in Proportionate Shares	(718,490)	(553,905)	(1,272,395)
Net Difference Between Projected & Actual Earnings	2,697	900,271	902,968
Increase/(Decrease) in Deferred Inflows of Resources			
Difference Between Actual & Expected Experience	29,978	-	29,978
Change in Assumptions	-	(145,688)	(145,688)
Change in Proportionate Shares	(113,034)	(55,571)	(168,605)
Net Difference Between Projected & Actual Earnings	446,357	(442,530)	3,827
Total Pension Expense	<u>\$ 5,186,376</u>	<u>\$ 4,350,287</u>	<u>\$ 9,536,663</u>

b. Deferred Outflows and Inflows of Resources

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 3,993,214	\$ 1,969,641	\$ 5,962,855
Differences between actual and expected experience	103,459	1,650,998	1,754,457
Changes in assumptions	5,182,808	2,341,198	7,524,006
Change in employer's proportionate share	1,851,514	2,230,297	4,081,811
Net difference between projected and actual earnings	4,036	1,438,574	1,442,610
Total Deferred Outflows of Resources	<u>\$ 11,135,031</u>	<u>\$ 9,630,708</u>	<u>\$ 20,765,739</u>

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (37,111)	\$ -	\$ (37,111)
Changes in assumptions	-	(145,687)	(145,687)
Change in employer's proportionate share	(122,976)	(55,570)	(178,546)
Net difference between projected and actual earnings	(4,228,967)	(1,498,047)	(5,727,014)
Total Deferred Inflows of Resources	<u>\$ (4,389,054)</u>	<u>\$ (1,699,304)</u>	<u>\$ (6,088,358)</u>

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2020. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2020	\$ 6,291,693	\$ 4,918,893	\$ (1,417,391)	\$ (659,110)	\$ 9,134,085
2021	2,297,121	2,451,769	(1,313,247)	(457,853)	2,977,790
2022	2,295,782	1,638,654	(1,302,035)	(457,854)	2,174,547
2023	250,435	621,392	(356,381)	(124,487)	390,959
Total	<u>\$ 11,135,031</u>	<u>\$ 9,630,708</u>	<u>\$ (4,389,054)</u>	<u>\$ (1,699,304)</u>	<u>\$ 14,677,381</u>

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

c. Actuarial Assumptions

Total pension liabilities for the fiscal year ended June 30, 2019 were based on actuarial valuations were determined using the following actuarial assumptions:

	<u>CalSTRS</u>	<u>CalPERS</u>
Fiscal Year	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2018	June 30, 2018
Valuation Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.5%
Wage Growth	3.50%	(3)
Investment Rate of Return	7.10%	7.15%
Post Retirement Benefit Increase	(1)	(4)
Mortality	(2)	(5)

(1) CalSTRS post retirement benefit increases assumed at 2% simple for DB (annually) maintaining 85% purchasing power level for DB. Increases are not applicable for DBS/CBB.

(2) CalSTRS projects mortality by setting the projection scale equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

(3) Wage growth is a component of inflation for CalPERS assumptions.

(4) CalPERS post retirement benefit increases assumes 2.00% until PPPA floor on purchasing power applies, 2.50% thereafter.

(5) CalPERS mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

d. Discount Rate

The discount rate used to measure the total pension liability was 0.000% for CalSTRS and 0.000% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies (where applicable) will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS respective websites.

The CalPERS discount rate was increased from 7.50% to 7.65% at measurement date June 30, 2015 (Fiscal year June 30, 2016) to correct for an adjustment to exclude administrative expenses. Subsequently CalPERS discount rate was decreased from 7.65% to 7.15% at measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from actuarially determined amounts.

The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

CalSTRS and CalPERS are scheduled to review actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle. The last ALM completed by CalSTRS was conducted in 2015. CalSTRS is in process of completing the next ALM and expects to complete the process by November 2019. CalPERS completed their ALM in 2018 with new policies in effect on July 1, 2018. Both CalSTRS and CalPERS conduct new ALM's every 4 years.

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

In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

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

CalSTRS

Asset Class	Assumed Asset Allocation	Long Term Expected Real Rate of Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

*20 year average

CalPERS

Asset Class*	Assumed Asset Allocation	Real Return Years 1-10**	Real Return Years 11+***
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	-	-0.92%

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

* In the Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

** An expected inflation of 2.00% used for this period

*** An expected inflation of 2.92% used for this period

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

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

	<u>CalSTRS</u>	<u>CalPERS</u>
1% Decrease	6.10%	6.15%
Net Pension Liability	\$ 60,005,926	\$ 30,707,221
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 40,962,948	\$ 21,090,817
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 25,174,476	\$ 13,112,633

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

f. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS - Governmental Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2018 (Previously Reported)	\$ 208,545,049	\$ 144,845,580	\$ 63,699,469	\$ 23,733,204	\$ 39,966,265
Changes for the year:					
CalSTRS auditor adjustment	-	(357,226)	357,226	130,365	226,861
Change in prop share	3,945,095	2,740,077	1,205,018	(47,165)	1,252,183
Service cost	5,012,398	-	5,012,398	1,829,209	3,183,189
Interest	15,086,323	-	15,086,323	5,505,556	9,580,767
Differences between expected and actual experience	(65,971)	-	(65,971)	(24,075)	(41,896)
Contributions:					
Employer	-	3,415,520	(3,415,520)	(1,246,449)	(2,169,071)
Employee	-	2,453,735	(2,453,735)	(895,458)	(1,558,277)
State on behalf payments	-	1,962,761	(1,962,761)	(716,284)	(1,246,477)
Net investment income	-	13,105,462	(13,105,462)	(4,782,666)	(8,322,796)
Other Income	-	73,792	(73,792)	(26,929)	(46,863)
Benefit payments, including refunds of employee contributions	(10,202,144)	(10,202,144)	-	-	-
Administrative expenses	-	(151,651)	151,651	55,343	96,308
Borrowing costs	-	(66,146)	-	24,139	(24,139)
Other expenses	-	(1,178)	1,178	430	748
Net Changes	13,775,701	12,973,002	802,699	(193,984)	996,683
Balance at June 30, 2019	\$ <u>222,320,750</u>	\$ <u>157,818,582</u>	\$ <u>64,502,168</u>	\$ <u>23,539,220</u>	\$ <u>40,962,948</u>

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

CalPERS - Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2018 (Previously Reported)	\$ 62,564,375	\$ 44,966,180	\$ 17,598,195
Changes for the year:			
Change in proportionate share	4,569,456	3,284,153	1,285,303
Service cost	1,718,624	-	1,718,624
Interest	4,877,142	-	4,877,142
Differences between expected and actual experience	1,465,664	-	1,465,664
Change in assumptions	356,005	-	356,005
Contributions:			
Employer	-	1,638,049	(1,638,049)
Employee	-	753,816	(753,816)
Net investment income	-	4,030,247	(4,030,247)
Plan to plan resource movement	-	1	(1)
Benefit Payments, including refunds of employee contributions	(3,206,057)	(3,206,057)	-
Administrative expenses	-	(731,257)	731,257
Other expenses	-	(138,870)	138,870
Net Changes	<u>9,780,834</u>	<u>6,288,212</u>	<u>3,492,622</u>
Balance at June 30, 2019	<u>\$ 72,345,209</u>	<u>\$ 51,254,392</u>	<u>\$ 21,090,817</u>

P. Postemployment Benefits Other Than Pension Benefits

1. General Information about the OPEB Plan

Plan Description

The District's defined benefit OPEB plan, San Ysidro School District Retiree Health Care Plan (the Plan) provides OPEB for retirees that meet eligibility requirements until age 65. Retirees in the plan are eligible for the same medical plans as active employees. The Plan is a singleemployer defined benefit OPEB plan administered by the District. Authority to establish and amend the benefit terms and financing requirements lie with the District's board of directors. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No 75.

Plan Eligibility

For certificated employees, the District provides retiree medical coverage for retirees only until the last day of the month in which the retiree attains age 65. Retirees pay 100% of the cost of any spouse and dependent coverage. Spouse and dependent coverage (except for COBRA) ceases upon the death of the retiree. The District does not provide any financial contribution for retiree medical coverage beyond age 65. Eligibility for retiree health coverage requires retirement on or after age 55 with at least 15 years of service with the District. The retiree pays 100% of the cost of coverage to continue dental, vision, and life benefits.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

For classified employees, the District provides retiree medical coverage for retirees only until the last day of the month in which the retiree attains age 65. The District will pay 50% of the cost of coverage if the retiree has 15 years of service retirement. The 50% amount increases by 10% for each additional year of service up to 100%. The retiree pays 100% of the cost of any spouse or dependent coverage. Spouse and dependent coverage (except for COBRA) ceases upon the death of the retiree. The District does not provide any financial contribution for retiree medical coverage beyond age 65. Eligibility for retiree health coverage requires retirement on or after age 55 with at least 15 years of service with the District. The retiree pays 100% of the cost of coverage to continue dental, vision, and life benefits.

For management, confidential, and supervisory employees, the District provides retiree medical coverage for retirees only until the last day of the month in which the retiree attains age 65. Retirees pay 100% of the cost of any spouse and dependent coverage. Spouse and dependent coverage (except for COBRA) ceases upon the death of the retiree. The District does not provide any financial contribution for retiree medical coverage beyond age 65. Eligibility for retiree health coverage requires retirement on or after age 55 with at least 15 years of service with the District. The retiree pays 100% of the cost of coverage to continue dental, vision, and life benefits.

Former board members may continue health benefits at retirement on a self-pay basis. Former board members first elected to the governing board prior to January 1, 1995 and serving at least 12 years may receive a District contribution for retiree only coverage.

Employees Covered by Benefit Terms

At June 30, 2019, the following retirees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	40
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	462
Total number of participants	<u>502</u>

2. Total OPEB Liability

The District's total OPEB liability of \$15,092,409 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75% per annum
Salary Increases	3.00% per annum, in aggregate
Discount Rate	3.50% per annum
Healthcare Cost Trend Rates	6.50% decreasing to 5.00%
Retiree's Share of Costs	0.00% of projected premiums

The discount rate is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO 20 Year Bond Index.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for pension valuations. The CalPERS mortality table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. The CalSTRS mortality table was developed based on CalSTRS specific data. The table includes mortality improvements set at 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of CalPERS actuarial experience study for the period July 1, 1997 through June 30, 2011 and the CalSTRS experience study for the period July 1, 2010 through June 30, 2015.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	\$ 14,463,634
Changes for the year:	
Service cost	684,496
Interest	507,697
Changes in assumptions or other inputs	(131,692)
Benefit payments	(431,726)
Net changes	<u>628,775</u>
Balance at June 30, 2019	\$ <u>15,092,409</u>

There were no changes in benefit terms for the fiscal year ended June 30, 2019.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point-higher (4.50%) than the current discount rate:

	<u>1% Decrease</u> <u>(2.50%)</u>	<u>Discount Rate</u> <u>(3.50%)</u>	<u>1% Increase</u> <u>(4.50%)</u>
Total OPEB Liability	\$ 16,456,556	\$ 15,092,409	\$ 13,834,040

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point-lower (5.50% decreasing to 4.00% per year) or 1-percentage-point higher (7.50% decreasing to 6.00% per year) than the current healthcare cost trend rates:

	<u>1% Decrease</u> <u>5.50%</u> <u>decreasing to</u> <u>4.00%</u>	<u>Healthcare Cost Trend Rate</u> <u>6.50%</u> <u>decreasing to</u> <u>5.00%</u>	<u>1% Increase</u> <u>7.50%</u> <u>decreasing to</u> <u>6.00%</u>
Total OPEB Liability	\$ 13,326,882	\$ 15,092,409	\$ 17,158,023

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

For the year ended June 30, 2019 the District recognized OPEB expense of \$1,175,731. At June 30, 2019 the District reported deferred outflows and deferred inflows of resources related to the following sources:

	Deferred Outflows of Resources	Deferred Outflows of Resources
Contributions made subsequent to measurement date	\$ 207,963	\$ -
Changes in assumptions	-	(115,230)
Total	<u>\$ 207,963</u>	<u>\$ (115,230)</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense during the fiscal year ending June 30, 2020. Deferred inflows of resources will be recognized as reduction in OPEB expense over the next six years.

Q. Adjustments to Beginning Net Position

An adjustment was made to the District's beginning net position to account for the recognition and correction of capital assets and depreciation. In prior years, the District did not keep adequate updated capital asset and depreciation records which resulted in a material weakness to the financial statements; however, the District obtained a full certified appraisal of all capital assets and calculated depreciation by an appraisal company in 2018-19. The full appraisal was completed and evaluated as of June 30, 2019; therefore, significant changes to capital asset values and accumulated depreciation resulted in changes to the beginning net position.

A summary of adjustments to beginning balance are as follows:

	Government Wide Financial Statements
Beginning Net Position - Originally Stated	\$ (54,274,450)
Adjustments for Changes in Capital Assets and Depreciation:	
Capital Assets and Work in Progress	(41,351,511)
Depreciation	(3,688,887)
Total Adjustments	<u>(45,040,398)</u>
Beginning Net Position - As Restated	<u>\$ (99,314,848)</u>

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

R. Fund Balance Classifications of the Governmental Funds

As of June 30, 2019, components of ending fund balance were:

	Major Governmental Funds				Total Funds
	Fund	Fund For Blended Units	Bond Interest Fund	Nonmajor Funds	
Nonspendable Fund Balances					
Revolving Cash	\$ 13,433	\$ -	\$ -	\$ -	\$ 13,433
Stores Inventories	4,569	-	-	64,381	68,950
Prepaid Expenses	8,000	-	-	-	8,000
Total Nonspendable	<u>26,002</u>	<u>-</u>	<u>-</u>	<u>64,381</u>	<u>90,383</u>
Restricted Fund Balances					
Child Nutrition	-	-	-	40,392	40,392
Lottery-Instructional Materials	99,651	-	-	-	99,651
Professional Development	33,138	-	-	-	33,138
Medi-Cal	114,850	-	-	-	114,850
Low Performing Students Grant	35,569	-	-	-	35,569
Other Restricted Local	1,240,374	3,649,786	6,745,296	877,882	12,513,338
Child Development	-	-	-	125,673	125,673
Total Restricted	<u>1,523,582</u>	<u>3,649,786</u>	<u>6,745,296</u>	<u>1,043,947</u>	<u>12,962,611</u>
Assigned Fund Balances					
Other Assigned	49,781	-	-	-	49,781
Total Assigned	<u>49,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,781</u>
Unassigned Fund Balances					
For Economic Uncertainty	1,030,686	-	-	-	1,030,686
Total Unassigned	<u>1,030,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,030,686</u>
Total Fund Balance	<u>\$ 2,630,051</u>	<u>\$ 3,649,786</u>	<u>\$ 6,745,296</u>	<u>\$ 1,108,328</u>	<u>\$ 14,133,461</u>

S. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Construction Commitments

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

<u>Construction in Process</u>	<u>Commitment</u>	<u>Expected Date of Final Completion*</u>
Manzana Solar Energy Project	\$ 500,000	November 2019
Smythe & La Mirada Modernization	2,700,000	September 2019
HVAC Project	200,000	August 2019

*Expected date of final completion subject to change.

T. Risk Management

The District is exposed to risk of losses due to:

- a. Torts,
- b. Theft of, damage to, or destruction of assets,
- c. Business interruption,
- d. Errors or omissions,
- e. Job related illnesses or injuries to employees,
- f. Natural disasters,
- g. Other risks associated with public entity risk pools

Risk management is the process of managing the District's activities to minimize the adverse effects of these risks. The main element of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses). Risk financing techniques include risk retention (self-insurance), risk transfer to and from an insurer, and risk transfer to a noninsurer.

The District has implemented the risk financing technique of risk transfer to an insurer. The District has purchased property & liability insurance as well as workers compensation insurance to cover any losses resulting from the risks identified above.

The District purchases insurance through joint powers authorities. The District is not obligated to cover any losses beyond the premiums paid for the insurance costs. As a result there has not been a liability recorded for incurred but not reported claims.

U. Subsequent Events

Implementation of New Accounting Guidance

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2020. Those newly implemented pronouncements are as follows:

GASB 84 - Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District expects adjustments to be made to the financial statements resulting from implementation of this GASB Statement but does not expect the adjustments to be material to the financial statements.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

GASB 90 - Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or a permanent fund. Those governments and funds should measure the majority equity interest at fair value.

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

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

The District does not currently hold any equity interests in legally separate organizations and as such does not anticipate any adjustments to be made to the financial statements as a result of implementing this GASB Statement.

Required Supplementary Information

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

SAN YSIDRO SCHOOL DISTRICT

EXHIBIT B-1

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 24,281,585	\$ 24,568,543	\$ 25,773,427	\$ 1,204,884
Education Protection Account Funds	5,520,460	3,337,161	2,336,163	(1,000,998)
Local Sources	18,595,414	19,813,219	20,609,028	795,809
Federal Revenue	3,100,344	4,006,966	2,888,373	(1,118,593)
Other State Revenue	2,882,276	3,843,170	6,847,476	3,004,306
Other Local Revenue	3,570,135	3,570,135	3,224,505	(345,630)
Total Revenues	<u>57,950,214</u>	<u>59,139,194</u>	<u>61,678,972</u>	<u>2,539,778</u>
Expenditures:				
Current:				
Certificated Salaries	24,430,890	23,965,219	24,947,101	(981,882)
Classified Salaries	10,740,673	9,770,522	11,346,905	(1,576,383)
Employee Benefits	12,283,193	13,641,175	17,021,452	(3,380,277)
Books And Supplies	3,740,139	3,787,349	2,220,755	1,566,594
Services And Other Operating Expenditures	7,279,128	6,999,634	8,571,675	(1,572,041)
Other Outgo	250,000	250,000	67,459	182,541
Direct Support/Indirect Costs	(86,000)	(86,000)	-	(86,000)
Capital Outlay	375,000	3,437,274	3,958,548	(521,274)
Debt Service:				
Principal	190,835	190,835	190,835	-
Interest	762,795	762,795	1,011,627	(248,832)
Total Expenditures	<u>59,966,653</u>	<u>62,718,803</u>	<u>69,336,357</u>	<u>(6,617,554)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,016,439)</u>	<u>(3,579,609)</u>	<u>(7,657,385)</u>	<u>(4,077,776)</u>
Other Financing Sources (Uses):				
Transfers Out	-	-	(481,000)	(481,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(481,000)</u>	<u>(481,000)</u>
Net Change in Fund Balance	(2,016,439)	(3,579,609)	(8,138,385)	(4,558,776)
Fund Balance, July 1	10,768,436	10,768,436	10,768,436	-
Fund Balance, June 30	<u>\$ 8,751,997</u>	<u>\$ 7,188,827</u>	<u>\$ 2,630,051</u>	<u>\$ (4,558,776)</u>

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.0446%	0.0432%	0.0415%	0.0415%	0.0423%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 40,962,948	\$ 39,966,263	\$ 33,537,341	\$ 27,965,531	\$ 24,714,443	\$ N/A				
State's proportionate share of the net pension liability (asset) associated with the District	23,539,220	23,733,438	19,185,012	14,890,174	15,048,038	N/A	N/A	N/A	N/A	N/A
Total	\$ 64,502,168	\$ 63,699,701	\$ 52,722,353	\$ 42,855,705	\$ 39,762,481	\$ N/A				
District's covered-employee payroll	\$ 23,669,577	\$ 22,849,650	\$ 20,601,258	\$ 19,195,832	\$ 18,740,145	\$ N/A				
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	173.06%	174.91%	162.79%	145.69%	131.88%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.99%	69.46%	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 3,993,214	\$ 3,494,374	\$ 2,874,486	\$ 2,210,515	\$ 1,704,590	\$ N/A				
Contributions in relation to the contractually required contribution	(3,993,214)	(3,494,374)	(2,874,486)	(2,210,515)	(1,704,590)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ N/A				
District's covered-employee payroll	\$ 24,528,342	\$ 24,216,036	\$ 22,849,650	\$ 20,601,258	\$ 19,195,832	\$ N/A				
Contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.0791%	0.0737%	0.0673%	0.0598%	0.0623%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 21,090,817	\$ 17,598,194	\$ 13,292,253	\$ 8,815,645	\$ 7,067,431	N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 10,546,906	\$ 9,468,052	\$ 8,150,089	\$ 6,650,956	\$ 6,545,787	N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	199.97%	185.87%	163.09%	132.55%	107.97%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,969,641	\$ 1,659,174	\$ 1,314,923	\$ 965,541	\$ 782,884	\$ N/A				
Contributions in relation to the contractually required contribution	(1,969,641)	(1,659,174)	(1,314,923)	(965,541)	(782,884)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ N/A				
District's covered-employee payroll	\$ 10,904,889	\$ 10,682,982	\$ 9,468,052	\$ 8,150,089	\$ 6,650,956	\$ N/A				
Contributions as a percentage of covered-employee payroll	18.062%	15.531%	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information.

SAN YSIDRO SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN THE DISTRICT'S
 TOTAL OPEB LIABILITY AND RELATED RATIOS
 SYSD RETIREE HEALTH PLAN
 LAST TEN FISCAL YEARS *

	Fiscal Year Ended									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB liability:										
Service cost	\$ 684,496	\$ 661,989	\$ N/A							
Interest	507,697	482,353	N/A							
Changes of benefit terms	-	-	N/A							
Differences between expected and actual experience	-	-	N/A							
Changes of assumptions or other inputs	(131,692)	-	N/A							
Benefit payments	(431,726)	(411,168)	N/A							
Net change in total OPEB liability	628,775	733,174	N/A							
Total OPEB liability - beginning	14,463,634	13,730,460	N/A							
Total OPEB liability - ending	\$ 15,092,409	\$ 14,463,634	\$ N/A							
Covered-employee payroll	\$ 30,005,000	\$ 30,005,000	\$ N/A							
Total OPEB liability as a percentage of covered-employee payroll	50.29%	48.20%	N/A							

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

See Accompanying Notes to Required Supplementary Information

SAN YSIDRO SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2019

Excess of Expenditures Over Appropriations

As of June 30, 2019, expenditures exceeded appropriations in individual budgeted funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:		
Certificated Salaries	\$ 981,882	The District underestimated the increase from bargaining agreement increases.
Classified Salaries	1,576,383	The District underestimated the increase from bargaining agreement increases.
Employee Benefits	3,380,277	The District underestimated the increase from bargaining agreement increases.
Services and Other	1,572,041	The District underestimated the costs of other expenses.
Capital Outlay	521,274	The District underestimated the cost of equipment replacement.
Debt Service Interest	248,832	The District did not budget correct amounts for debt service payments.

Amounts in excess of appropriations were not considered a violation of any laws, regulations, contracts or grant agreements and did not have a direct or material effect on the financial statements.

Schedule of District's Proportionate Share - California State Teachers' Retirement System

1) Benefit Changes: In 2015, 2016, 2017, 2018, & 2019 there were no changes to benefits

2) Changes in Assumptions: In 2015, 2016, 2017 & 2019 there were no changes in assumptions. In 2018 there was a change in discount rate from 7.60% to 7.10%.

Schedule of District's Contributions - California State Teachers' Retirement System

The total pension liability for California State Teachers Retirement System was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2013, 2014, 2015, 2016 & 2017 and rolling forward the total pension liabilities to the June 30, 2014, 2015, 2016, 2017 & 2018 (measurement dates). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/06 - 06/30/10	07/01/06 - 06/30/10	07/01/06 - 06/30/10
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%	3.75%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

<u>Reporting Period</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Measurement Date	06/30/17	06/30/18
Valuation Date	06/30/16	06/30/17
Experience Study	07/01/10 - 06/30/15	07/01/10 - 06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.10%	7.10%
Consumer Price Inflation	2.75%	2.75%
Wage Growth (Average)	3.50%	3.50%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple

CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015 experience study adopted by the CalSTRS board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among CalSTRS members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries. Additional information can be obtained by reviewing the CalSTRS Actuarial Experience Study on CalSTRS website.

Schedule of District's Proportionate Share - California Public Employees Retirement System

1) Benefit Changes: In 2015, 2016, 2017, 2018 & 2019 there were no changes to benefits

2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65%. In 2018 the discount rate was changed from 7.65% to 7.15%. In 2019, demographic assumptions and inflation rate were changed in accordance to the CalPERS experience study

Schedule of District's Contributions - California Public Employees' Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, 2014, 2015, 2016, & 2017 and rolling forward the total pension liabilities to June 30, 2014, 2015, 2016, 2017 & 2018 (measurement dates). The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, June 30, 2016, June 30, 2017, and June 30, 2018 (measurement dates) used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/97 - 06/30/11	07/01/97 - 06/30/11	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.65%	7.65%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

<u>Reporting Period</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Measurement Date	06/30/17	06/30/18
Valuation Date	06/30/16	06/30/17
Experience Study	07/01/97 - 06/30/11	07/01/97 - 06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.15%	7.50%
Consumer Price Inflation	2.75%	2.50%
Wage Growth (Average)	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the April 2014 experience study report (based on demographic data from 1997 to 2011) available on CalPERS website.

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

- 1) Benefit Changes: In 2018 & 2019 there were no changes to benefits.
- 2) Changes in Assumptions: In 2018 there were no changes in assumptions. Changes in assumptions for the fiscal year ended June 30, 2019 included an increase in the discount rate from 3.40% to 3.50% based on a change in the bond buyer 20 bond index rate.
- 3) No assets are accumulated in a trust that meets the criteria in GASB Statement No 75 Paragraph 4.
- 4) The following are the discount rates used for each period:

<u>Year</u>	<u>Discount Rate</u>
2018	3.40%
2019	3.50%

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, 2019

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Cash in County Treasury	\$ 591,824	\$ 617,048	\$ 1,208,872
Cash on Hand and in Banks	1,000	-	1,000
Accounts Receivable	543,765	4,806	548,571
Due from Other Funds	579,699	254,117	833,816
Stores Inventories	64,381	-	64,381
Total Assets	<u>1,780,669</u>	<u>875,971</u>	<u>2,656,640</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 142,333	\$ -	\$ 142,333
Due to Other Funds	1,130,508	-	1,130,508
Unearned Revenue	275,471	-	275,471
Total Liabilities	<u>1,548,312</u>	<u>-</u>	<u>1,548,312</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	64,381	-	64,381
Restricted Fund Balances	167,976	875,971	1,043,947
Total Fund Balance	<u>232,357</u>	<u>875,971</u>	<u>1,108,328</u>
Total Liabilities and Fund Balances	<u>\$ 1,780,669</u>	<u>\$ 875,971</u>	<u>\$ 2,656,640</u>

SAN YSIDRO SCHOOL DISTRICT

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

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Federal Revenue	\$ 2,296,250	\$ -	\$ 2,296,250
Other State Revenue	1,358,260	-	1,358,260
Other Local Revenue	127,511	441,128	568,639
Total Revenues	<u>3,782,021</u>	<u>441,128</u>	<u>4,223,149</u>
Expenditures:			
Current:			
Instruction	1,053,618	-	1,053,618
Instruction - Related Services	278,187	-	278,187
Pupil Services	2,795,426	-	2,795,426
General Administration	-	57,185	57,185
Plant Services	78,629	27,917	106,546
Capital Outlay	-	1,324,121	1,324,121
Total Expenditures	<u>4,205,860</u>	<u>1,409,223</u>	<u>5,615,083</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(423,839)</u>	<u>(968,095)</u>	<u>(1,391,934)</u>
Other Financing Sources (Uses):			
Transfers In	481,000	-	481,000
Total Other Financing Sources (Uses)	<u>481,000</u>	<u>-</u>	<u>481,000</u>
Net Change in Fund Balance	57,161	(968,095)	(910,934)
Fund Balance, July 1	175,196	1,844,066	2,019,262
Fund Balance, June 30	<u>\$ 232,357</u>	<u>\$ 875,971</u>	<u>\$ 1,108,328</u>

SAN YSIDRO SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2019

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 445,274	\$ 146,550	\$ 591,824
Cash on Hand and in Banks	-	1,000	1,000
Accounts Receivable	191,534	352,231	543,765
Due from Other Funds	-	579,699	579,699
Stores Inventories	-	64,381	64,381
Total Assets	<u>636,808</u>	<u>1,143,861</u>	<u>1,780,669</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 69,991	\$ 72,342	\$ 142,333
Due to Other Funds	175,358	955,150	1,130,508
Unearned Revenue	263,875	11,596	275,471
Total Liabilities	<u>509,224</u>	<u>1,039,088</u>	<u>1,548,312</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	-	64,381	64,381
Restricted Fund Balances	127,584	40,392	167,976
Total Fund Balance	<u>127,584</u>	<u>104,773</u>	<u>232,357</u>
Total Liabilities and Fund Balances	<u>\$ 636,808</u>	<u>\$ 1,143,861</u>	<u>\$ 1,780,669</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, 2019

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ 198,151	\$ 2,098,099	\$ 2,296,250
Other State Revenue	1,163,792	194,468	1,358,260
Other Local Revenue	120,467	7,044	127,511
Total Revenues	<u>1,482,410</u>	<u>2,299,611</u>	<u>3,782,021</u>
Expenditures:			
Current:			
Instruction	1,053,618	-	1,053,618
Instruction - Related Services	278,187	-	278,187
Pupil Services	89,266	2,706,160	2,795,426
Plant Services	78,629	-	78,629
Total Expenditures	<u>1,499,700</u>	<u>2,706,160</u>	<u>4,205,860</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(17,290)</u>	<u>(406,549)</u>	<u>(423,839)</u>
Other Financing Sources (Uses):			
Transfers In	-	481,000	481,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>481,000</u>	<u>481,000</u>
Net Change in Fund Balance	(17,290)	74,451	57,161
Fund Balance, July 1	144,874	30,322	175,196
Fund Balance, June 30	<u>\$ 127,584</u>	<u>\$ 104,773</u>	<u>\$ 232,357</u>

SAN YSIDRO SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2019

	Building Fund	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 3,610	\$ 586,567	\$ 26,871	\$ 617,048
Accounts Receivable	27	4,601	178	4,806
Due from Other Funds	-	200,000	54,117	254,117
Total Assets	<u>3,637</u>	<u>791,168</u>	<u>81,166</u>	<u>875,971</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Restricted Fund Balances	\$ 3,637	\$ 791,168	\$ 81,166	\$ 875,971
Total Fund Balance	<u>3,637</u>	<u>791,168</u>	<u>81,166</u>	<u>875,971</u>
Total Liabilities and Fund Balances	<u>\$ 3,637</u>	<u>\$ 791,168</u>	<u>\$ 81,166</u>	<u>\$ 875,971</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, 2019

	Building Fund	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other Local Revenue	\$ 1,205	\$ 439,443	\$ 480	\$ 441,128
Total Revenues	<u>1,205</u>	<u>439,443</u>	<u>480</u>	<u>441,128</u>
Expenditures:				
Current:				
General Administration	-	57,185	-	57,185
Plant Services	2,204	25,713	-	27,917
Capital Outlay	-	1,324,121	-	1,324,121
Total Expenditures	<u>2,204</u>	<u>1,407,019</u>	<u>-</u>	<u>1,409,223</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(999)</u>	<u>(967,576)</u>	<u>480</u>	<u>(968,095)</u>
Net Change in Fund Balance	(999)	(967,576)	480	(968,095)
Fund Balance, July 1	4,636	1,758,744	80,686	1,844,066
Fund Balance, June 30	<u>\$ 3,637</u>	<u>\$ 791,168</u>	<u>\$ 81,166</u>	<u>\$ 875,971</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, 2019

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, and two middle schools.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Irene Lopez	President	Four Year Term Expires December 2022
Humberto Gurmilan	Vice President	Four Year Term Expires December 2022
Antonio Martinez	Clerk	Four Year Term Expires December 2020
Rosaleah Pallasigue	Member	Four Year Term Expires December 2020
Rudy Lopez	Member	Four Year Term Expires December 2022

Administration

Gina A. Potter, Ed.D.
Superintendent

Marilyn Adrianzen
Chief Business Official

Manuela Colom - Ramirez
Executive Director of Curriculum,
Instruction & Innovation

David Farkas, Ed.D
Executive Director of
Human Resources

SAN YSIDRO SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2019

TABLE D-1

	Second Period Report #174D40C8		Annual Report #5DD088BD	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	1,870.79	N/A	1,875.68	N/A
Extended Year Special Education	1.98	N/A	1.98	N/A
Nonpublic, Nonsectarian Schools	0.67	N/A	0.74	N/A
TK/K-3 Totals	<u>1,873.44</u>	<u>N/A</u>	<u>1,878.40</u>	<u>N/A</u>
Grades 4-6:				
Regular ADA	1,447.93	N/A	1,447.46	N/A
Extended Year Special Education	0.83	N/A	0.83	N/A
Nonpublic, Nonsectarian Schools	2.21	N/A	2.62	N/A
Extended Year Nonpublic	1.67	N/A	1.67	N/A
Grades 4-6 Totals	<u>1,452.64</u>	<u>N/A</u>	<u>1,452.58</u>	<u>N/A</u>
Grades 7 and 8:				
Regular ADA	1,022.81	N/A	1,022.06	N/A
Extended Year Special Education	0.36	N/A	0.36	N/A
Nonpublic, Nonsectarian Schools	1.07	N/A	1.53	N/A
Extended Year Nonpublic	1.00	N/A	1.00	N/A
Grades 7 and 8 Totals	<u>1,025.24</u>	<u>N/A</u>	<u>1,024.95</u>	<u>N/A</u>
ADA Totals	<u>4,351.32</u>	<u>N/A</u>	<u>4,355.93</u>	<u>N/A</u>

N/A - There were no findings which resulted in adjustments to ADA.

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

SAN YSIDRO SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2019

TABLE D-2

Grade Level	Ed. Code 46207 Minutes Requirement	2018-19 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	39,225	180	-	Complied
Kindergarten	36,000	50,835	180	-	Complied
Grade 1	50,400	54,810	180	-	Complied
Grade 2	50,400	54,810	180	-	Complied
Grade 3	50,400	54,810	180	-	Complied
Grade 4	54,000	54,810	180	-	Complied
Grade 5	54,000	54,810	180	-	Complied
Grade 6	54,000	54,810	180	-	Complied
Grade 7	54,000	55,326	180	-	Complied
Grade 8	54,000	55,326	180	-	Complied

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

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District met or exceeded its target funding.

SAN YSIDRO SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2019

TABLE D-3

General Fund	Budget 2020 (See Note 1)	2019	2018	2017
Revenues and other financial sources	\$ 58,364,657	\$ 61,678,973	\$ 72,852,324	\$ 57,871,546
Expenditures, other uses and transfers out	58,354,297	69,817,357	77,691,442	55,497,849
Change in fund balance (deficit)	10,360	(8,138,384)	(4,839,118)	2,373,697
Ending fund balance	\$ 2,640,411	\$ 2,630,051	\$ 10,768,435	\$ 15,607,553
Available reserves (See Note 2)	\$ 1,798,828	\$ 1,080,468	\$ 5,305,129	\$ 13,001,888
Available reserves as a percentage of total outgo (See Note 3)	3.1%	1.6%	6.9%	24.0%
Total long-term debt	\$ 218,147,704	\$ 225,408,413	\$ 224,851,576	\$ 210,623,323
Average daily attendance at P-2	4,286	4,351	4,508	4,584

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

The fund balance of the general fund has decreased by \$12,977,502 (83.14%) over the past two years. The fiscal year 2019-20 budget projects an increase of \$10,360 (0.39%). 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 \$14,785,090 over the past two years.

Average daily attendance has decreased by 233 over the past two years.

Notes:

- 1 Budget 2020 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$4,419,545, \$1,670,892, and \$1,232,026, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2019, 2018, and 2017.

SAN YSIDRO SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

TABLE D-4

All fund balances reported in the audit report are in agreement with the fund balances reported in SACS.

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

No charter schools are chartered by San Ysidro School District.

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

SAN YSIDRO SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2019

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	\$ -	\$ 304,203
National School Lunch Program	10.555	13396	-	1,639,850
National School Lunch Program Noncash Commodities	10.555	13396	-	154,046
Total Passed Through State Department of Education			-	2,098,099
Total U. S. Department of Agriculture			-	2,098,099
Total Child Nutrition Cluster			-	2,098,099
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA Basic Local Assistance	84.027	13379	-	760,965
IDEA Mental Health	84.027	14468	-	18,879
Total Passed Through State Department of Education			-	779,844
Total U. S. Department of Education			-	779,844
Total Special Education (IDEA) Cluster			-	779,844
OTHER PROGRAMS:				
<u>U. S. Department of Health and Human Services</u>				
Passed Through State Department of Education:				
Head Start	93.600	10016	-	198,149
Total U. S. Department of Health and Human Services			-	198,149
<u>U. S. Department of Education</u>				
Passed Through San Diego County Superintendent of Schools:				
21st Century CCLC	84.287	14350	-	105,885
Passed Through State Department of Education:				
Title I	84.010	14329	-	1,090,952
Title X McKinney Vento - Homeless	84.196	14332	-	37,241
Title III	84.365	15146 & 14346	-	294,452
Title II Supporting Effective Instruction	84.367	14341	-	163,580
Total Passed Through State Department of Education			-	1,586,225
Total U. S. Department of Education			-	1,692,110
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 4,768,202

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, 2019

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of San Ysidro School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 10.71% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

Program	CFDA #	Indirect Cost Rate
Child Nutrition Cluster	10.553, 10.555	0.00%
Special Education Cluster	84.027, 84.173	0.00%
Title X	84.196	0.00%
Head Start	93.600	0.00%
21st Century CCLC	84.287	5.00%
Title III	84.365	2.00%

Schoolwide Program

The District operates "schoolwide programs" at all school sites. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limiting services to certain targeted students. The following federal program amounts were expended by the District in its schoolwide programs:

Program	CFDA #	Amount Expended
Title I	84.010	\$1,090,952

Other Independent Auditor's Reports

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Trustees
San Ysidro School District
San Diego, California

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Ysidro School District, as of and for the year ended June 30, 2019, 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 16, 2019.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2019-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the San Ysidro School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-003.

San Ysidro School District's Response to Findings

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

Purpose of this Report

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

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 16, 2019

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
San Ysidro School District
San Diego, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the San Ysidro School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the San Ysidro School District's major federal programs for the year ended June 30, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the San Ysidro School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the San Ysidro School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the San Ysidro School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the San Ysidro School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the San Ysidro School District's internal control over compliance.

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

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

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

Wilkinson Halley King & Co., LLP

El Cajon, California
December 16, 2019

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 *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 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, 2019.

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, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810. 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, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	N/A
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials.....	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	Yes
Before School	Yes
General Requirements	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
CHARTER SCHOOLS:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study.....	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

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

Opinion on State Compliance

In our opinion, San Ysidro School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-003.

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 of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Halley King & Co., LLP

El Cajon, California
December 16, 2019

Findings and Recommendations Section

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? X Yes No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

Version of compliance supplement used in audit: August 2019

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.365 10.553, 10.555	Title III Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting? X Yes No

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

B. Financial Statement Findings

Finding Number: 2019-001
Repeat Finding: No
Program Name: General Fund Balance
Questioned Costs: None
Type of Finding: Internal Control (30000)

Criteria or Specific Requirement

Verify that the District is meeting the minimum required amount of reserve balance in the General Fund based on the size of the District at fiscal year end as recommended by the California Department of Education. Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.

Condition

At fiscal year end, the District reported available reserves in the General Fund of 1.6% as reported in the Schedule of Financial Trends and Analysis which is below the required 3% reserve balance as recommended by the California Department of Education for the size of this District. Expenditures exceeded revenues by \$8.1 million in 2018-19 resulting in the available reserves declining from 6.9% to 1.6% for fiscal year 2018-19.

Questioned Costs

None

Context

The District must maintain a minimum 3% available reserve balance consisting of unassigned fund balances and funds reserved for economic uncertainties in the general fund at all times, as recommended by the California Department of Education, for proper cash flow and general daily operations of the District.

Effect

The District is at risk of being a going concern and having available sufficient cash reserves for future periods based on current trends. Insufficient general fund reserves could have a severe and immediate impact on cash flows and daily operations if not rectified and brought to the required state approved reserve balances immediately.

Cause

The District sustained expenditures in excess of revenues of \$8.1 million primarily due to a repayment of overstated state apportionment received from prior years in the amount of \$3.9 million, an additional reduction in EPA funds of \$1.8 million, and additional current operating expenditures in excess of \$4.2 million over the prior year.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Recommendation

Implement immediate procedures to improve and establish the minimum required reserves in the General Fund as recommended by the state. Establish and implement a spending reduction plan to reduce and eliminate expenditures for the subsequent fiscal year to be in correlation with actual revenues received in order to enable a positive increase in fund balance for the General Fund in future periods. Increase the fund balance for the General Fund in future periods to raise the available reserves up to the recommended level by reducing contract expenses, eliminating vacant positions, and by reducing overall operational costs. Monitor the reserve balances for the General Fund diligently and make every effort to increase the General Fund reserves over the minimum threshold recommended.

LEA's Response

See Corrective Action Plan

Finding Number: 2019-002
Repeat Finding: Yes
Program Name: Inventory
Questioned Costs: None
Type of Finding: Internal Control (30000)

Criteria or Specific Requirement

Verify that the District has an appropriate internal control system over stores inventory which would allow management or employees, in their normal course of performing their assigned duties, to prevent or detect and correct misstatements on a timely basis, whether due to error or fraud.

Condition

In 2018-19 District management opted to record the stores valuation at year end as in prior years; however, we noted the valuation of the general fund stores inventory at year end was only \$4,569, which is immaterial; however, the valuation is not a complete physical inventory on hand at year end. Only a portion of the actual inventory value from the warehouse is reflected as an asset value in the financial statements at year end as other remaining inventory was expensed and shipped directly to school sites.

Questioned Costs

None

Context

The District received a recommendation in a prior year to implement review and reconciliation procedures to ensure an accurate accounting of inventory items at year end; consequently, the District only recognized a portion of their stores inventory balance at year end as the majority of inventory items are being shipped directly to school sites.

Effect

The District is still exposed to risk of misappropriation of inventory items as current District procedures would not identify a misstatement, whether due to fraud or error. In addition, the District is inconsistent in reporting inventory valuation with limited internal controls over direct shipments to school sites.

Cause

The District did not understand that the purpose of inventory control procedures is to aid in prevention, detection, and deterrence of fraud as the District eliminated the existing system in place in prior years to track items through the warehouse.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Recommendation

Establish procedures to ensure accurate reporting of inventory in the general fund. District management should recognize a complete stores inventory valuation at year end, including school sites, that is reconciled to a physical count. Implement district wide controls to ensure general fund stores inventory items are tracked properly throughout the fiscal year and accounted for at the warehouse and all school locations on a consistent basis. School locations should keep a list of inventory items and valuation at year end.

LEA's Response

See Corrective Action Plan

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

Finding Number: 2019-003
Repeat Finding: Yes
Program Name: Attendance
Questioned Costs: None
Type of Finding: State Compliance (10000)

Criteria or Specific Requirement

Determine that class attendance rosters are being signed, dated, and retained in a timely manner as proper verification of pupil attendance based on the guidelines and provisions under Education Code Sections 46000 and 46303.

Condition

In review of the class rosters at San Ysidro Middle School for the eighth month of attendance, we noted that some of the class rosters were not being signed and verified by the teachers within one week after the end of the attendance period on a timely basis. In addition, the date verification of some class rosters was being backdated prior to the date the rosters were actually printed and in other instances, additional class rosters were not dated when signed; therefore, we could not determine if the verification of attendance was timely.

Questioned Costs

None. The District has established procedures that the teachers enter attendance on a daily basis and although the verification of class rosters was not completed within state guidelines, the attendance was entered timely by individuals with first hand knowledge. Based upon our review, we determined there are no questioned costs or loss of attendance to be identified or justified as all class rosters on hand had a valid teacher signature and were subsequently approved prior to the end of the attendance reporting period.

Context

California Education Code Sections 46000 and 46303 require that attendance be signed, dated, and verified by the teachers within one week after the end of each attendance period.

Effect

The school site was not consistent with the state requirement that attendance must be approved and verified by the teachers within one week after the end of each attendance period.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Cause

School site personnel and teachers did not understand the purpose and requirement that all teachers must verify attendance within one week after the end of each attendance period.

Recommendation

Implement procedures to ensure class rosters are printed timely and are being signed, dated, and verified by the teachers within one week after the end of each attendance period. Teachers should not backdate class rosters and all class rosters must contain a valid verification date to document that the attendance was approved on a timely basis. Retain all original rosters printed and verified by the teachers even if changes or corrections have been made as proper support that attendance is being validated on a timely basis.

LEA's Response

See Corrective Action Plan



GOVERNING BOARD

Irene Lopez, President
Humberto Gurmilan, Vice-President

Antonio Martinez, Clerk
Rudy Lopez, Member
Rosaleah Pallasigue, Member

Quality education and opportunity for all students to succeed

Marilyn Adrianzen
Chief Business Official

December 16, 2019

To Whom It Concerns:

The accompanying Corrective Action Plan has been prepared as required by the 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting published by the Education Audit Appeals Panel. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

Marilyn Adrianzen
Chief Business Official

SAN YSIDRO SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019

Internal Control Finding

Finding Number: 2019-001
Program Name: General Fund Balance
Contact Person: Marilyn Adrianzen and Amber Elliott
Anticipated Completion Date: June 30, 2020

Planned Corrective Action:

The District implemented a Board approved spending reduction plan for 2019-20 in the amount of about \$4.5 million. The District has also implemented a hiring freeze and a spending freeze. This will reduce expenditures in the 2019-20 fiscal year.

Internal Control Finding

Finding Number: 2019-002
Program Name: Inventory
Contact Person: Marilyn Adrianzen and Amber Elliott
Anticipated Completion Date: June 30, 2020

Planned Corrective Action:

The District is working with the San Diego County Office of Education to re-establish a stores inventory. The District will recognize a stores inventory valuation at year end that is reconciled to the physical count. The District will ensure proper internal controls over the tracking of inventory items.

State Compliance Finding

Finding Number: 2019-003
Program Name: Attendance
Contact Person: Marilyn Adrianzen and Amber Elliott
Anticipated Completion Date: June 30, 2020

Planned Corrective Action:

The District is working on contracting with an attendance expert who will provide attendance training and attendance manuals to district office and site staff. The District will ensure that class rosters are printed, signed, dated, and verified by teachers within one week after the end of each attendance period. The District will ensure that middle school teachers sign and date each individual period class roster. In addition, the Accounting Supervisor will perform an attendance audit twice per month.

SAN YSIDRO SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p data-bbox="155 375 358 432">Finding 2018-001 Capital Assets</p> <p data-bbox="155 470 834 657">The District was unable to provide a detail of work in progress, prior capitalized assets, in addition to accurate depreciation schedules. The ending balances of capital assets, work in progress, and depreciation could not be reconciled to supporting documentation to meet audit requirements.</p> <p data-bbox="155 695 834 911">Establish procedures to track capital additions and deletions of capital assets, work in progress projects, and depreciation in order to provide a reconciliation process to ensure accurate reporting of fixed assets. Consider obtaining a full appraisal from an outside source to update all capital assets and depreciation.</p>	Implemented	
<p data-bbox="155 949 358 1005">Finding 2018-002 Inventory</p> <p data-bbox="155 1043 834 1230">A detail of inventory items in the warehouse was not available for audit purposes as the District implemented an accounting change without board approval to eliminate the reporting of stores inventory asset balance from the financial statements.</p> <p data-bbox="155 1268 834 1451">Establish procedures to ensure the accurate reporting of inventory in the general fund. Before considering an accounting change, consider obtaining board approval and ensure proper internal controls have been established in the reporting and tracking of stores inventory.</p>	Being Implemented	See Current Year Finding and Corrective Action Plan
<p data-bbox="155 1488 578 1545">Finding 2018-003 Deposits and Journal Entry Controls</p> <p data-bbox="155 1583 834 1707">In review of deposits and journal entries, it was noted that a large number of transactions did not have proper supporting documentation and were being prepared and approved by the same individual.</p> <p data-bbox="155 1745 834 1894">Establish internal controls that will prevent, detect, and deter any misappropriation or misstatement due to fraud or error. Create a monitoring system to ensure all deposits and journal entries are not being prepared and approved by the same individual.</p>	Implemented	

SAN YSIDRO SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p data-bbox="151 373 365 436">Finding 2018-004 Vacation Accrual</p> <p data-bbox="151 468 841 720">In our review of vacation carryover balances, it was noted that ten out of twelve individuals had exceeded the maximum amount of vacation time allowed by district policy. The District's vacation balance has increased significantly over prior periods as employees are not utilizing their vacation time and have accrued excess hours over the maximum allowed by District policy.</p> <p data-bbox="151 751 841 947">Implement procedures that will require all employees to utilize their vacation hours to reduce the excess liability to the District. Monitor vacation carryover for all employees to ensure no employees exceed the maximum carryover of vacation time allowed by District policy.</p>	<p data-bbox="898 915 1102 947">Implemented</p>	
<p data-bbox="151 978 365 1041">Finding 2018-005 Expenditures</p> <p data-bbox="151 1073 841 1268">One expenditure during our testing was a reimbursement to a personal credit card. The District has a policy in place that personal credit cards should not be used or reimbursed for District expenses. Subsequently, in expanding the testing, an additional personal credit card was reimbursed for District expenses.</p> <p data-bbox="151 1299 841 1419">Implement internal control procedures to ensure all District expenses are documented and consistent with District policy. Do not allow expenditures for reimbursement of personal credit cards as it is a direct violation of District policy.</p>	<p data-bbox="898 1388 1102 1419">Implemented</p>	

SAN YSIDRO SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p data-bbox="151 373 365 436">Finding 2018-006 Attendance</p> <p data-bbox="151 468 841 657">In review of the class rosters at San Ysidro Middle School for the seventh month of attendance, many of the class rosters were not being signed, dated, and approved in a timely manner. In addition, some of the class rosters was being backdated and verified prior to the date the rosters were actually printed.</p> <p data-bbox="151 688 841 913">Implement procedures to ensure class rosters are printed timely and are verified by the teachers within one week after the end of the attendance period. Teachers with multiple teaching periods must sign and date each individual period roster as proper validation of attendance and no backdating of attendance verification should be allowed.</p>	<p data-bbox="898 373 1102 840"></p> <p data-bbox="898 850 1102 913">Not Implemented</p>	<p data-bbox="1127 373 1459 913">See Current Year Finding and Corrective Action Plan</p>