

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

AUDIT REPORT

JUNE 30, 2016

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

Introductory Section

San Ysidro School District
Audit Report
For The Year Ended June 30, 2016

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Financial Section

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

Data provided by the District regarding capital assets was incomplete and as a result we were unable to satisfy ourselves as to the accuracy of the capital assets information included in these financial statements. The effect on the financial statements cannot reasonably be determined. Accordingly, we do not express an opinion on those transactions.

In our opinion, except for the effect on the financial statements of the matter discussed in the previous paragraph, 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, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2016, San Ysidro School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, *Fair Value*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, San Ysidro School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, San Ysidro School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 76, *Hierarchy of GAAP*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Ysidro School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F -- Audit Requirements (Uniform Guidance) 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, *2015-16 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 January 31, 2017 on our consideration of San Ysidro School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Ysidro School District's internal control over financial reporting and compliance.

Wilkinson Hadley King + Co LLP

El Cajon, California
January 31, 2017

**San Ysidro School District
Management's Discussion and Analysis
Fiscal Year 2015-16
(Unaudited)**

Profile of the District

The San Ysidro School District (District) was formed in 1887 and serves the children of the City of San Ysidro and portions of the unincorporated area of San Diego County. The District operates one preschool, four elementary schools, one 4-8 school, one K-8 school and one middle school housing 4808 students.

Management's Discussion and Analysis

This section of San Ysidro School District's annual financial report presents Management's Discussion and Analysis (MD&A) of the District's financial performance during the year ending June 30, 2016. The MD&A is required as an element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. The District implemented GASB 34 in 2001-02. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

Comparisons to the Previous Fiscal Year 2014-15

- In 2015-16, the district's Net Position are \$(17.7) million compared to \$18.3 million in 2014-15 due to GASB 67 & 71 – Net Position due not impact District Cash, but rather just a tool of financial record keeping.
- In 2015-16, overall revenues were \$56.8 million and expenses were \$51.7 million. The district's revenue exceeded expenses by \$5.1 million. In 2014-15 the district's overall revenues were \$58.1 million and expenses were \$54.8 million. Revenues exceeded expenses by \$3.3 million.
- The District enrollment in October 2016 was 4808. This is a decrease of 34 students from October 2015 when the enrollment was at 4842.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

The *statement of activities* presents information showing how the Net Position of the District changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements

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

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

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

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget on page 51 of this report.

- **Fiduciary funds** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the governmental entity. The District maintains an agency fund for associated student body funds. The basic agency fund financial statements can be found on pages 18 of this report.

Notes to the financial statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-53 of this report.

Government-wide Financial Analysis

As noted earlier, Net Position may serve over time as a useful indicator of a government's stability and financial position. The district's assets exceeded liabilities by \$17.7 million at the close of 2015-16.

SAN YSIDRO SCHOOL DISTRICT
NET POSITION AT JUNE 30,
(In Millions of Dollars)

	Governmental Activities 2015	Governmental Activities 2016
Current and Other Assets	\$45.5	\$50.9
Capital Assets	\$165.4	\$165.4
Total Assets	\$210.8	\$214.4
Deferred Outflows of Resources	20.9	\$21.2
Long-Term Debt Outstanding	\$238.6	245.1
Other Liabilities	\$3.4	\$5.2
Total Liabilities	\$241.6	\$250.3
Deferred Inflows of Resources	8.5	3.1
Net Position:		
Invested in Capital Assets,		
Net of Related Debt	\$(37.6)	\$(41.5)
Restricted	\$38.1	\$36.6
Unrestricted	\$(18.8)	\$(12.8)
Total Net Position	\$(18.3)	\$(17.7)

At the end of the 2015-16, the District is not able to report a positive balance in Net Position due to GASB Statement No. 67 & 71 Financial Reporting for Pension Plans.

Governmental Activities. The key elements of the District's Net Position for the year ended June 30, 2016 are as follows:

**SAN YSIDRO SCHOOL DISTRICT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEARS ENDING ON JUNE 30,**

	<u>2015</u>	<u>% of Total</u>	<u>2016</u>	<u>% of Total</u>
<u>Revenues</u>				
Program Revenues				
Charges for services	\$ 1,654,206	2.84%	\$ 1,563,073	2.12%
Operating grants and contributions	9,332,257	16.05%	12,921,809	17.52%
Capital grants and contributions	-	0.00%	-	0.00%
General Revenues				
Property taxes	23,415,767	40.26%	24,749,783	33.56%
Federal and state aid not restricted to specific purposes	23,249,716	39.98%	32,876,362	44.58%
Interest and investment earnings	29,869	0.05%	64,444	0.09%
Interagency revenues	-	0.00%	-	0.00%
Miscellaneous	477,936	0.82%	1,577,416	2.14%
Special and extraordinary items	-	0.00%	-	0.00%
Total Revenues	\$ 58,159,751	100.00%	\$ 73,752,887	100.00%
<u>Expenditures by Function</u>				
Governmental Activities				
Instruction & Instruction Related	\$ 33,032,515	54.57%	\$40,804,958	54.30%
Pupil services	5,077,063	8.39%	6,816,533	9.07%
General administration	4,383,893	7.42%	8,553,759	11.38%
Plant services	4,908,261	8.11%	5,452,179	7.26%
Ancillary services	-	0.00%	-	0%
Community services	-	0.00%	-	0%
Enterprise activities	-	0.00%	-	0%
Interest on long-term debt	7,483,942	12.36%	8,215,259	10.93%
Other outgo	5,300,786	8.76%	5,297,725	7.06%
Business-type Activities				
Enterprise activities	-	0.00%	-	0.00%
Total Expenditures	\$ 60,186,460	100.00%	\$75,140,413	100.00%
Increase (Decrease) in Net Position	\$ (2,026,709)		\$(1,387,526)	
Net Position - Beginning	\$ (16,318,470)	(Restated)	\$(16,303,068)	(Restated)
Net Position - Ending	\$ (18,345,179)		\$(17,690,594)	

- The district's total revenue this year increased from \$58.2 million in FY 2014-15 to \$73.8 million in FY 2015-16

Financial Analysis of the District's Funds

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

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

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

Fund balance reporting is unique to governmental fund accounting GASB 54 implements a five-tier fund balance classification based on spending constraints on the use of these resources. The components of the district ending fund balance as of June 30, 2016 were:

SAN YSIDRO SCHOOL DISTRICT GOVERNMENTAL FUNDS COMPONENTS OF ENDING FUND BALANCE IN ACCORDANCE WITH GASB STATEMENT 54 JUNE 30, 2016

a) Nonspendable		
Revolving Cash	9711	6,759
Stores	9712	91,092
Prepaid Expenditures	9713	3,000
All Others	9719	-
b) Restricted	9740	36,436,241
c) Committed		
Stabilization Arrangements	9750	-
Other Commitments	9760	-
d) Assigned		
Other Assignments	9780	-
d) Unassigned		
Reserve for Economic Uncertainties	9789	1,604,490
Unassigned/Unappropriated	9790	8,715,213

Basic Financial Statements

SAN YSIDRO SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Cash	\$ 48,012,041
Receivables	2,784,373
Stores	91,092
Prepaid Expenses	3,000
Capital Assets:	
Land	45,896,267
Improvements	18,042,631
Buildings	119,784,685
Equipment	4,358,214
Work in Progress	17,546,471
Less Accumulated Depreciation	(42,091,861)
Total Assets	<u>214,426,913</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>21,231,354</u>
LIABILITIES	
Accounts Payable and Other Current Liabilities	5,184,578
Unearned Revenue	12,970
Long-Term Liabilities:	
Due Within One Year	5,763,986
Due in More Than One Year	239,335,057
Total Liabilities	<u>250,296,591</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,052,270</u>
NET POSITION	
Net Investment in Capital Assets	(41,458,612)
Restricted for:	
Capital Projects	26,961,413
Debt Service	5,709,312
Educational Programs	2,733,196
Other Purposes (Expendable)	1,064,773
Other Purposes (Nonexpendable)	100,851
Unrestricted	(12,801,527)
Total Net Position	<u>\$ (17,690,594)</u>

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:					Governmental Activities
Instruction	\$ 36,135,574	\$ 1,045,699	\$ 8,597,307	\$ -	\$ (26,492,568)
Instruction-Related Services:					
Instructional Supervision and Administration	1,188,311	80	426,035	-	(762,196)
Instructional Library, Media and Technology	502,415	-	233,475	-	(268,940)
School Site Administration	2,978,658	2,488	589,030	-	(2,387,140)
Pupil Services:					
Home-to-School Transportation	837,830	-	-	-	(837,830)
Food Services	2,438,779	4,290	1,828,048	-	(606,441)
All Other Pupil Services	3,539,924	13,690	770,212	-	(2,756,022)
General Administration:					
Centralized Data Processing	1,068,403	-	900	-	(1,067,503)
All Other General Administration	7,485,356	31,357	370,023	-	(7,083,976)
Plant Services	5,452,179	465,469	106,779	-	(4,879,931)
Interest on Long-Term Debt	8,215,259	-	-	-	(8,215,259)
Other Outgo - Transfers Between Agencies	203,389	-	-	-	(203,389)
Other Outgo - Debt Issuance Costs	464,242	-	-	-	(464,242)
Depreciation (Unallocated)*	4,630,094	-	-	-	(4,630,094)
Total Expenses	\$ 75,140,413	\$ 1,563,073	\$ 12,921,809	\$ -	\$ (60,655,531)
General Revenues:					
Taxes and Subventions:					
Taxes Levied for General Purposes					\$ 15,837,487
Taxes Levied for Debt Service					8,590,568
Taxes Levied for Other Specific Purposes					321,728
Federal and State Aid Not Restricted to Specific Programs					32,876,362
Interest and Investment Earnings					64,444
Miscellaneous					1,577,416
Total General Revenues					\$ 59,268,005
Change in Net Position					(1,387,526)
Net Position Beginning - As Restated (See Note R)					(16,303,068)
Net Position Ending					<u><u>\$ (17,690,594)</u></u>

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

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Building Fund
ASSETS:		
Cash in County Treasury	\$ 14,620,165	\$ 23,160,020
Cash on Hand and in Banks	276	-
Cash in Revolving Fund	6,759	-
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	2,324,091	32,407
Stores Inventories	58,640	-
Prepaid Expenditures	3,000	-
Total Assets	<u>17,012,931</u>	<u>23,192,427</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 3,777,576	\$ 1,939
Unearned Revenue	1,500	-
Total Liabilities	<u>3,779,076</u>	<u>1,939</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	6,759	-
Stores Inventories	58,640	-
Prepaid Items	3,000	-
Restricted Fund Balances	2,845,753	23,190,488
Unassigned:		
Reserve for Economic Uncertainty	1,604,490	-
Other Unassigned	8,715,213	-
Total Fund Balance	<u>13,233,855</u>	<u>23,190,488</u>
Total Liabilities and Fund Balances	<u>\$ 17,012,931</u>	<u>\$ 23,192,427</u>

The accompanying notes are an integral part of this statement.

Blended Component Unit Fund	Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
\$ 2,016,783	\$ 5,709,312	\$ 2,206,001	\$ 47,712,281
-	-	238,864	239,140
-	-	-	6,759
53,861	-	-	53,861
2,245	-	425,630	2,784,373
-	-	32,452	91,092
-	-	-	3,000
<u>2,072,889</u>	<u>5,709,312</u>	<u>2,902,947</u>	<u>50,890,506</u>
\$ -	\$ -	\$ 241,226	\$ 4,020,741
-	-	11,470	12,970
<u>-</u>	<u>-</u>	<u>252,696</u>	<u>4,033,711</u>
-	-	-	6,759
-	-	32,452	91,092
-	-	-	3,000
2,072,889	5,709,312	2,617,799	36,436,241
-	-	-	1,604,490
-	-	-	8,715,213
<u>2,072,889</u>	<u>5,709,312</u>	<u>2,650,251</u>	<u>46,856,795</u>
\$ <u>2,072,889</u>	\$ <u>5,709,312</u>	\$ <u>2,902,947</u>	\$ <u>50,890,506</u>

SAN YSIDRO SCHOOL DISTRICT
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total fund balances - governmental funds balance sheet \$ 46,856,795

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	205,628,268	
Accumulated depreciation	(42,091,861)	
Net		163,536,407

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. Unamortized debt insurance costs included in deferred outflows of resources on the statement of net position are: 1,210,063

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 unmaturing interest owing at the end of the period was: (1,163,837)

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	164,336,533	
Certificates of participation payable	39,136,706	
Other general long term debt	1,521,780	
Net pension liability	36,781,177	
Net OPEB obligation payable	3,015,153	
Compensated absences payable	307,694	
Total		(245,099,043)

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

Deferred outflows of resources relating to pensions	5,215,104
Deferred inflows of resources relating to pensions	(3,052,270)

Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was: 14,806,187

Net position of governmental activities - statement of net position \$ (17,690,594)

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Building Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 20,551,334	\$ -
Education Protection Account Funds	6,317,081	-
Local Sources	15,775,482	-
Federal Revenue	3,923,270	-
Other State Revenue	5,363,677	-
Other Local Revenue	4,827,145	166,329
Total Revenues	<u>56,757,989</u>	<u>166,329</u>
Expenditures:		
Current:		
Instruction	31,237,763	-
Instruction - Related Services	4,090,057	-
Pupil Services	4,038,493	-
General Administration	5,699,751	-
Plant Services	4,918,591	290,052
Other Outgo - Transfers Between Agencies	203,389	-
Other Outgo - Debt Issuance Costs	-	-
Capital Outlay	261,126	2,431,385
Debt Service:		
Principal	1,265,355	-
Interest	-	-
Total Expenditures	<u>51,714,525</u>	<u>2,721,437</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,043,464</u>	<u>(2,555,108)</u>
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	-	-
Other Sources	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balance	5,043,464	(2,555,108)
Fund Balance, July 1	8,190,391	25,745,596
Fund Balance, June 30	<u>\$ 13,233,855</u>	<u>\$ 23,190,488</u>

The accompanying notes are an integral part of this statement.

Blended Component Unit Fund	Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 20,551,334
-	-	-	6,317,081
-	-	-	15,775,482
-	-	2,160,004	6,083,274
-	20,530	1,231,385	6,615,592
2,801,088	5,801,002	727,376	14,322,940
<u>2,801,088</u>	<u>5,821,532</u>	<u>4,118,765</u>	<u>69,665,703</u>
-	-	824,657	32,062,420
-	-	238,166	4,328,223
-	-	2,516,816	6,555,309
31,562	-	208,209	5,939,522
-	-	48,126	5,256,769
-	-	-	203,389
570,682	-	-	570,682
-	-	28,715	2,721,226
22,075,000	3,845,000	1,315,000	28,500,355
498,142	1,457,413	1,436,114	3,391,669
<u>23,175,386</u>	<u>5,302,413</u>	<u>6,615,803</u>	<u>89,529,564</u>
(20,374,298)	519,119	(2,497,038)	(19,863,861)
-	-	2,751,114	2,751,114
(2,751,114)	-	-	(2,751,114)
23,143,824	7,717	-	23,151,541
<u>20,392,710</u>	<u>7,717</u>	<u>2,751,114</u>	<u>23,151,541</u>
18,412	526,836	254,076	3,287,680
2,054,477	5,182,476	2,396,175	43,569,115
<u>\$ 2,072,889</u>	<u>\$ 5,709,312</u>	<u>\$ 2,650,251</u>	<u>\$ 46,856,795</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, 2016

Net change in fund balances - total governmental funds \$ 3,287,680

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	2,729,218	
Depreciation Expense	(4,630,094)	
Net		(1,900,876)

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:

28,753,985

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:

(23,143,824)

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

Prepaid debt insurance incurred	145,406	
Prepaid debt insurance amortized	(40,928)	
Net		104,478

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:

(4,416,858)

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:

5,766

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:

(2,730,737)

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:

(630,381)

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:

(716,759)

Change in net position of governmental activities - statement of activities

\$ (1,387,526)

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2016

	Agency Fund
	<hr/>
	Student Body Fund
	<hr/>
ASSETS:	
Cash on Hand and in Banks	\$ 28,170
Total Assets	<hr/> 28,170 <hr/>
LIABILITIES:	
Due to Student Groups	\$ 28,170
Total Liabilities	<hr/> 28,170 <hr/>
NET POSITION:	
Total Net Position	<hr/> \$ - <hr/>

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

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

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

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

The District reports the following major governmental funds:

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

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

Capital Projects Fund for Blended Component Units. This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the LEA under generally accepted accounting principles (GAAP). The Mello-Roos Community Facilities Act of 1982 (Government Code Section 53311 et seq.) allows any county, city, special district, school district, or joint powers authority to establish, upon approval of two-thirds of the voters in the district, a "Community Facilities District" (CFD) for the purpose of selling tax-exempt bonds to finance public improvements and services.

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

In addition, the District reports the following fund types:

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

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

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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.

4. Budgets and Budgetary Accounting

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

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

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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

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

b. Expenses/Expenditures

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

6. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

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

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

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

d. Compensated Absences

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

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

e. Unearned Revenue

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

f. Interfund Activity

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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.

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

i. Minimum Fund Balance

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

7. Deferred Inflows and Deferred Outflows of Resources

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

8. Pensions

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

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

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

9. Use of Estimates

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

10. 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.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

10. Change in Accounting Policies

In February 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 72 Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District has implemented the guidance under GASB Statement No. 72 into their accounting policies effective for the fiscal year ending June 30, 2016.

In June 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The District has implemented the guidance under GASB Statement No. 76 into their accounting policies effective for the fiscal year ending June 30, 2016.

In June 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statement 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The District has adopted the provisions of GASB Statement No. 73 effective for the year ending June 30, 2016.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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. 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 (\$47,712,281 as of June 30, 2016). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$47,712,281. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

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.

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

Cash balances on hand and in banks (\$267,310 as of June 30, 2016) and in the revolving fund (\$6,759) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

3. Investments:

The District's investments at June 30, 2016 are shown below.

Investment or Investment Type	Average Days to Maturity	Amount Reported	Fair Value
U.S. Treasury Obligations	<30 Days	\$ 53,861	\$ 53,861
Total Investments		\$ 53,861	\$ 53,861

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

5. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

b. Custodial Credit Risk

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

California Government Code requires that a financial institution secure deposits made by State or Local Governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having value of 105% of the secured deposits.

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

5. Investment Accounting Policy

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

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

D. Accounts Receivable

As of June 30, 2016, Accounts Receivable consisted of:

	Major Governmental Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund	Blended Component Unit Fund		
Federal Government					
Federal Programs	\$ 1,404,245	\$ -	\$ -	\$ 303,578	\$ 1,707,823
State Government					
LCFF State Aid	-	-	-	-	-
Lottery	525,202	-	-	-	525,202
Categorical Programs	-	-	-	-	-
Special Education	-	-	-	-	-
Other State Programs	75,242	-	-	111,044	186,286
Local Sources					
Interest	19,607	32,407	2,245	4,105	58,364
Other Local Sources	299,795	-	-	6,903	306,698
Total	\$ 2,324,091	\$ 32,407	\$ 2,245	\$ 425,630	\$ 2,784,373

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

E. Capital Assets

Capital asset activity for the year ended June 30, 2016, 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	15,312,287	2,234,184	-	17,546,471
Total capital assets not being depreciated	61,208,554	2,234,184	-	63,442,738
Capital assets being depreciated:				
Buildings	119,628,777	155,908	-	119,784,685
Improvements	18,013,956	28,675	-	18,042,631
Equipment	4,047,763	310,451	-	4,358,214
Total capital assets being depreciated	141,690,496	495,034	-	142,185,530
Less accumulated depreciation for:				
Buildings	(25,936,981)	(3,361,425)	-	(29,298,406)
Improvements	(8,198,720)	(1,078,696)	-	(9,277,416)
Equipment	(3,326,066)	(189,973)	-	(3,516,039)
Total accumulated depreciation	(37,461,767)	(4,630,094)	-	(42,091,861)
Total capital assets being depreciated, net	104,228,729	(4,135,060)	-	100,093,669
Governmental activities capital assets, net	\$ 165,437,283	\$ (1,900,876)	\$ -	\$ 163,536,407

Depreciation was charged to functions as follows:

Unallocated Depreciation	\$ 4,630,094
	<u>\$ 4,630,094</u>

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

F. Interfund Balances and Activities

Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2016, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Capital Projects Fund	Debt Service Fund	\$ 2,751,114	CFD Debt Service
	Total	<u>\$ 2,751,114</u>	

G. Accounts Payable

As of June 30, 2016, accounts payable consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Vendor payables	\$ 327,200	\$ 1,939	\$ 198,055	\$ 527,194
LCFF Overpayment	2,672,409	-	-	2,672,409
Payroll and related liabilities	507,762	-	30,586	538,348
Pension related liabilities	270,205	-	12,585	282,790
Total	<u>\$ 3,777,576</u>	<u>\$ 1,939</u>	<u>\$ 241,226</u>	<u>\$ 4,020,741</u>

H. Unearned Revenue

As of June 30, 2016, unearned revenue consisted of:

	General Fund	Nonmajor Governmental Funds	Total
Federal Government Categorical Programs	\$ -	\$ 11,470	\$ 11,470
State Government Categorical Programs	1,500	-	1,500
Total	<u>\$ 1,500</u>	<u>\$ 11,470</u>	<u>\$ 12,970</u>

I. Short-Term Debt Activity

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

J. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2016, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	A m o u n t s Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 161,973,961	\$ 6,377,877	\$ 4,015,305	\$ 164,336,533	4,168,268
Certificates of participation	39,313,711	23,214,492	23,391,497	39,136,706	1,034,394
Other general long term debt	3,040,765	-	1,518,985	1,521,780	253,630
Net OPEB obligation	2,384,772	996,268	365,887	3,015,153	-
Net pension liability	31,935,281	4,845,896	-	36,781,177	-
Compensated absences *	313,460	-	5,766	307,694	307,694
Total governmental activities	<u>\$ 238,961,950</u>	<u>\$ 35,434,533</u>	<u>\$ 29,297,440</u>	<u>\$ 245,099,043</u>	<u>\$ 5,763,986</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

2. Debt Service Requirements

Debt service requirements on long-term debt, net of certificates of participation, premium, discount, net pension liability. and net OPEB obligation as of June 30, 2016, are as follows:

	Governmental Activities			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Total</u>
2017	\$ 5,313,630	\$ 2,971,417	\$ -	\$ 8,285,047
2018	5,151,476	2,781,222	737,154	8,669,852
2019	5,439,044	2,619,647	859,586	8,918,277
2020	5,839,371	2,457,041	994,259	9,290,671
2021	12,863,451	7,255,852	1,140,179	21,259,482
2022-2026	34,787,574	8,069,866	9,796,056	52,653,496
2027-2031	28,739,392	3,214,328	31,080,608	63,034,328
2032-2036	21,157,572	837,686	43,077,428	65,072,686
2037-2041	17,724,056	19,530	58,080,944	75,824,530
2042-2046	19,584,728	-	80,575,272	100,160,000
2047-2051	13,253,333	-	60,516,667	73,770,000
Totals	<u>\$ 169,853,627</u>	<u>\$ 30,226,589</u>	<u>\$ 286,858,153</u>	<u>\$ 486,938,369</u>

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

3. General Obligation Bonds

General obligation bonds as of June 30, 2016, consisted of:

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

	Beginning Balance	Increases	Decreases	Ending Balance
1997 Election Series D	\$ 16,384,363	\$ -	\$ -	\$ 16,384,363
1997-D Bond Premium	294,376	-	19,626	274,750
1997-D Accreted Interest	10,741,817	1,404,653	-	12,146,470
1997 Election Series E	16,682,741	-	720,000	15,962,741
1997-E Bond Premium	180,149	-	7,775	172,374
1997-E Accreted Interest	6,282,728	1,076,716	-	7,359,444
1997 Election Series F	580,702	-	-	580,702
1997-F Bond Premium	75,294	-	-	75,294
1997-F Accreted Interest	269,606	95,155	-	364,761
1997 Election Series G	28,990,884	-	-	28,990,884
1997-G Bond Premium	830,767	-	30,770	799,997
1997-G Accreted Interest	4,682,939	1,946,403	-	6,629,342
2012 Refunding Bonds	27,435,000	-	2,840,000	24,595,000
2012 Bond Premium	1,556,220	-	103,748	1,452,472
2015 Refunding Bonds	45,643,442	-	285,000	45,358,442
2015 Bond Premium	1,342,933	-	8,386	1,334,547
2015 Accreted Interest	-	1,854,950	-	1,854,950
Total GO Bonds	<u>\$ 161,973,961</u>	<u>\$ 6,377,877</u>	<u>\$ 4,015,305</u>	<u>\$ 164,336,533</u>

The annual requirements to amortize the bonds outstanding at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total
2017	\$ 4,005,000	\$ 1,449,644	\$ -	\$ 5,454,644
2018	3,747,846	1,298,044	737,154	5,783,044
2019	3,975,414	1,182,544	859,586	6,017,544
2020	4,270,741	1,057,544	994,259	6,322,544
2021	4,594,821	956,744	1,140,179	6,691,744
2022-2026	25,703,944	2,983,119	9,796,056	38,483,119
2027-2031	18,489,392	355,471	31,080,608	49,925,471
2032-2036	16,781,453	-	42,113,547	58,895,000
2037-2041	17,465,460	-	57,709,540	75,175,000
2042-2046	19,584,728	-	80,575,272	100,160,000
2047-2051	13,253,333	-	60,516,667	73,770,000
Totals	<u>\$ 131,872,132</u>	<u>\$ 9,283,110</u>	<u>\$ 285,522,868</u>	<u>\$ 426,678,110</u>

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

4. Certificates of Participation (COPs)

Certificates of Participation (COPs) as of June 30, 2016, consisted of:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
1998 COPs	09/23/1998	3.90 - 6.75%	09/01/2023	\$ 3,050,000
2001 COPs	05/15/2001	4.50 - 6.50%	09/01/2030	7,075,000
2005 COPs	01/06/2005	2.50 - 5.00%	09/01/2034	17,000,000
2007 COPs	11/29/2007	3.50 - 4.75%	09/01/2037	7,330,000
2012 COPs	01/31/2012	2.00 - 6.20%	09/01/2041	10,409,715
2015 Refunding COPs	08/18/2015	1.75 - 5.00%	09/01/2034	21,585,000
Total COPs				<u>\$ 66,449,715</u>

	Beginning Balance	Increases	Decreases	Ending Balance
1998 COPs	\$ 1,555,000	\$ -	\$ 1,555,000	\$ -
2001 COPs	5,495,000	-	5,495,000	-
2001 COPs Discount	(13,498)	-	(13,498)	-
2005 COPs	15,025,000	-	15,025,000	-
2005 COPs Discount	(70,758)	-	(70,758)	-
2007 COPs	6,925,000	-	85,000	6,840,000
2007 COPs Premium	598	-	26	572
2012 COPs	10,239,715	-	25,000	10,214,715
2012 COPs Discount	(34,940)	-	(1,295)	(33,645)
2012 COPs Accreted Interest	192,594	70,668	-	263,262
2015 Refunding COPs	-	21,585,000	1,205,000	20,380,000
2015 COPs Premium	-	1,558,824	87,022	1,471,802
Total COPs	<u>\$ 39,313,711</u>	<u>\$ 23,214,492</u>	<u>\$ 23,391,497</u>	<u>\$ 39,136,706</u>

The annual requirements to amortize the COPs outstanding at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total
2017	\$ 975,000	\$ 1,548,799	\$ -	\$ 2,523,799
2018	1,055,000	1,521,773	-	2,576,773
2019	1,150,000	1,483,178	-	2,633,178
2020	1,210,000	1,437,103	-	2,647,103
2021	1,315,000	1,399,497	-	2,714,497
2022-2026	8,015,000	6,299,108	-	14,314,108
2027-2031	8,830,000	5,086,747	-	13,916,747
2032-2036	10,250,000	2,858,857	-	13,108,857
2037-2041	4,376,119	837,686	963,881	6,177,686
2042-2046	258,596	19,530	371,404	649,530
Totals	<u>\$ 37,434,715</u>	<u>\$ 22,492,278</u>	<u>\$ 1,335,285</u>	<u>\$ 61,262,278</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.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

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

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

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

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

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.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

5. Other General Long Term Debt

Other general long term debt as of June 30, 2016, 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
PARS Retirement	06/10/2015	N/A	08/01/2015	1,265,355
Total Other GLTD				<u>\$ 6,265,355</u>

	Beginning Balance	Increases	Decreases	Ending Balance
QZAB Bonds	\$ 1,775,410	\$ -	\$ 253,630	\$ 1,521,780
PARS Retirement	1,265,355	-	1,265,355	-
Total Other GLTD	<u>\$ 3,040,765</u>	<u>\$ -</u>	<u>\$ 1,518,985</u>	<u>\$ 1,521,780</u>

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

Year Ending June 30,	Principal	Interest	Accreted Interest	Total
2017	\$ 253,630	\$ -	\$ -	\$ 253,630
2018	253,630	-	-	253,630
2019	253,630	-	-	253,630
2020	253,630	-	-	253,630
2021	253,630	-	-	253,630
2022-2026	253,630	-	-	253,630
Totals	<u>\$ 1,521,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,521,780</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, 2015 the escrow account carried an accrued balance of \$1,760,974. The District does not have a legal right to claim cash in the escrow account and is not obligated to make payments in excess of the scheduled deposit amounts.

On July 10, 2015 the District offered a one time PARS early retirement incentive. The District initially entered into a five year payment plan for the incentive for the amount of \$1,265,355. The entire balance was paid during the 2015-16 fiscal year.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

6. Debt Issue Premium or Discount

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

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

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

	Bonds 1997 Series D	Bonds 1997 Series E	Bonds 1997 Series F	Bonds 1997 Series G	Bonds 2012 Ref.
Total Interest	\$ 30,814,643	\$ 43,043,707	\$ 213,389,044	\$ 88,034,116	\$ 9,538,616
Less Premium	(594,306)	(723,738)	(1,090,083)	(925,828)	(1,867,466)
Plus Discount	-	-	-	-	-
Net Interest	30,220,337	42,319,969	212,298,961	87,108,288	7,671,150
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	127,613,142
Par Amount of COPs	\$ 45,643,442
Periods	34
Effective Interest Rate	8.22%

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

	COPS 2015
Total Interest	\$ 9,324,060
Less Premium	(1,558,824)
Plus Discount	-
Net Interest	7,765,236
Par Amount of COPs	\$ 21,585,000
Periods	20
Effective Interest Rate	1.80%

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

7. Refunding Certificates of Participation

On August 18, 2015 the district issued refunding certificates of participation for a refunding of 1998 COPs, 2001 COPs, and 2005 COPs. The refunding resulted in an economic gain as follows:

Dated Date	07/30/15
Delivery Date	07/30/15
Arbitrage Yield	3.332411%
Escrow Yield	-
COPs Par Amount	\$ 21,585,000
Par Amount of Refunded COPs	22,075,000
Average coupon of refunded COPs	4.742234%
Average life of refunded COPs	10
Present Value of Prior Debt to 8/18/2015 at 3.332411%	25,085,881
Present Value of New Debt at 8/18/2015	23,413,148
Net Present Value Savings	\$ 1,672,733

K. Components of Ending Fund Balance

As of June 30, 2016, components of ending fund balance were:

	Major Governmental Funds				Nonmajor Governmental Funds
	General Fund	Building Fund	Blended Component Unit Fund	Bond Interest & Redemption Fund	
Nonspendable Fund Balances					
Revolving Cash	\$ 6,759	\$ -	\$ -	\$ -	\$ -
Stores Inventories	58,640	-	-	-	32,452
Prepaid Expenses	3,000	-	-	-	-
Total Nonspendable	68,399	-	-	-	32,452
Restricted Fund Balances					
Educational Programs	2,629,500	-	-	-	103,695
Capital Projects	130,000	23,190,488	2,072,889	-	1,568,036
Debt Service	-	-	-	5,709,312	-
Medi-Cal	86,253	-	-	-	-
Child Nutrition Program	-	-	-	-	946,068
Total Restricted	2,845,753	23,190,488	2,072,889	5,709,312	2,617,799
Unassigned Fund Balances					
For Economic Uncertainty	1,604,490	-	-	-	-
Other Unassigned	8,715,213	-	-	-	-
Total Unassigned	10,319,703	-	-	-	-
Total Fund Balance	\$ 13,233,855	\$ 23,190,488	\$ 2,072,889	\$ 5,709,312	\$ 2,650,251

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

L. Prior Period Restatement

With the implementation of GASB Statement No 68 & 71 the District relied upon information provided by CalSTRS and CalPERS in order to calculate their proportion of the net pension liability, deferred outflows of resources - pension related, and deferred inflows of resources - pension related. Proportionate share was determined based on the calculated proportionate share provided by CalSTRS and CalPERS. During the current year the district calculated proportionate share by taking contributions to the CalSTRS and CalPERS plans and dividing by plan total contributions. The result was a small change to proportionate share based on rounding variances in the proportionate share. Additionally, CalSTRS auditors made audit adjustments to CalSTRS records which affected beginning net position for the District and is also being adjusted.

Beginning net position was adjusted as follows:

Net Position, Beginning (As Originally Stated)	\$ (18,885,908)
Adjustments for:	
Net Pension Liability Corrections	(307,828)
Deferred Outflows of Resources - Pension Related Corrections	(3,152,711)
Deferred Inflows of Resources - Pension Related Corrections	<u>6,043,380</u>
Net Position, Beginning (As Restated)	<u>\$ (16,303,067)</u>

M. 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 (SDCSRM) and the San Diego County Fringe Benefits Consortium (FBC). The relationship between the District and the JPAs is such that the JPAs are not a component unit of the District for financial reporting purposes.

The JPAs arranges for and provides workers' compensation, health, and property and liability insurance for its member school districts. The JPAs is 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 unaudited financial information for the year ended June 30, 2016 is as follows:

	SDCSRM & FBC (Unaudited) <u>June 30, 2016</u>
Total Assets	\$ 2,811,078
Total Liabilities	<u>2,129,987</u>
Total Fund Balance	<u>\$ 681,091</u>
Total Revenues	\$ 1,458,408
Total Expenses	<u>903,054</u>
Net Change in Fund Balance	<u>\$ 555,354</u>

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

N. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

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

b. Benefits 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, 2016 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
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	50-62	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required employee contribution rates (at June 30, 2015)	8.150%	8.150%
Required employer contribution rates (at June 30, 2015)	8.880%	8.880%
Required state contribution rates (at June 30, 2015)	5.679%	5.679%
Required employee contribution rates (at June 30, 2016)	9.200%	8.56%**
Required employer contribution rates (at June 30, 2016)	10.730%	10.730%
Required state contribution rates (at June 30, 2016)	7.126%	7.126%

*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.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

	CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date	2% at 55	2% at 62
Benefit Formula	5 Years	5 Years
Benefit Vesting Schedule	Monthly for Life	Monthly for Life
Benefit Payments	50-62	52-67
Retirement Age	1.1 - 2.5%	1.0 - 2.5%
Monthly benefits, as a % of eligible compensation	7.000%	6.000%
Required employee contribution rates (at June 30, 2015)	11.771%	11.771%
Required employer contribution rates (at June 30, 2015)	7.000%	6.000%
Required employee contribution rates (at June 30, 2016)	11.847%	11.847%
Required employer contribution rates (at June 30, 2016)		

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

c. Contributions - CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.771% of annual payroll. For the fiscal year ending June 30, 2016, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 11.847%.

d. Contributions - CalSTRS

For the measurement period ended June 30, 2015 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 8.15% of the creditable compensation upon which members' contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 8.88% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary. For the fiscal year ended June 30, 2016 required employee rate is 9.20% if the employee started before January 1, 2013 and 8.56% if the employee started on or after January 1, 2013. For the fiscal year ended June 30, 2016 the required employer contribution rate is 10.730%.

e. On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2015 (measurement date) the State contributed 5.678848% of salaries creditable to CalSTRS. For the fiscal year ended June 30, 2016 the State contribution rate was 7.126% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

f. Contributions Recognized

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 1,699,326	\$ 782,884	\$ 2,482,210
Contributions - Employee	1,708,615	471,077	2,179,692
Contributions - State On Behalf Payments	1,094,419	-	1,094,419
Total Contributions	<u>\$ 4,502,360</u>	<u>\$ 1,253,961</u>	<u>\$ 5,756,321</u>

g. Pension Expense

	CalSTRS	CalPERS	Total
Change in Net Pension Liability	\$ 3,097,682	\$ 1,748,214	\$ 4,845,896
2015-16 On Behalf Contributions	1,335,402	-	1,335,402
Increases/(Decreases) Resulting from Changes in			
Deferred Outflows and Deferred Inflows of Resources for:			
Contributions made subsequent to measurement date	(533,585)	(203,952)	(737,537)
Difference between actual and expected experience	(5,432)	(542,049)	(547,481)
Changes in assumptions	-	582,749	582,749
Changes in proportionate share	412,366	222,283	634,649
Net Difference between projected and actual experience	7,449	(2,054,988)	(2,047,539)
Total Pension Expense	<u>\$ 4,313,882</u>	<u>\$ (247,743)</u>	<u>\$ 4,066,139</u>

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

As of June 30, 2016, 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	\$ 27,965,531
CalPERS	8,815,645
Total Net Pension Liability	<u>\$ 36,781,176</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	CalSTRS			
	District's Proportionate Share	State's Proportionate Share	Total for District Employees	CalPERS
Proportion - June 30, 2014	0.0423%	0.0265%	0.0688%	0.0623%
Proportion - June 30, 2015	0.0414%	0.0267%	0.0681%	0.0598%
Change - Increase (Decrease)	<u>-0.0009%</u>	<u>0.0002%</u>	<u>-0.0007%</u>	<u>-0.0025%</u>

For the year ended June 30, 2016, the District recognized pension expense of \$4,066,139.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,219,747	\$ -
Differences between actual and expected experience	547,481	-
Changes in assumptions	-	(582,749)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(634,649)
Net difference between projected and actual earnings on plan investments	1,447,876	(1,834,872)
Total	<u>\$ 5,215,104</u>	<u>\$ (3,052,270)</u>

\$3,219,747 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows	Deferred Inflows	Net Effect on Expenses
*****	\$ 498,839	\$ (915,227)	\$ (416,388)
*****	498,839	(915,227)	(416,388)
*****	498,839	(915,226)	(416,387)
*****	498,840	(306,590)	192,250
Total	<u>\$ 1,995,357</u>	<u>\$ (3,052,270)</u>	<u>\$ (1,056,913)</u>

a. Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.00%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05%-5.6% (1)	3.20%-10.80% (1)
Investment Rate of Return	7.60% (2)	7.65% (2)
Mortality	.013%-0.435% (3)	.00125-.45905% (3)

- (1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) Industry standard published by the Society of Actuaries

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

b. Discount Rate

The discount rate used to measure the total pension liability was 7.6000% for CalSTRS and 7.6500% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies 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 websites.

The CalPERS discount rate was increased from 7.50% in 2015 to correct for an adjustment to exclude administrative expenses.

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

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

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

CalSTRS		
Asset Class	Allocation 06/30/15	Long Term Expected Return*
Global Equity	57.40%	4.50%
Private Equity	10.10%	6.20%
Real Estate	12.70%	4.35%
Inflation Sensitive	0.80%	3.20%
Fixed Income	15.70%	0.20%
Absolute Return	1.50%	-
Liquidity	1.80%	-

*10 year geometric average used for long term expected real rate of return

CalPERS			
Asset Class	Allocation 06/30/15	Real Return (Years 1-10)(1)	Real Return (Years 11+)(2)
Global Equity	53.80%	5.25%	5.71%
Global Fixed Income	17.60%	0.99%	2.43%
Inflation Sensitive	5.20%	0.45%	3.36%
Private Equity	9.60%	6.83%	6.95%
Real Estate	10.50%	4.50%	5.13%
Absolute Return	0.40%	-	-
Plan Level	0.40%	-	-
Liquidity	2.50%	-0.55%	-1.05%

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

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

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

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

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	\$ 42,095,379	\$ 14,348,197
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 27,965,531	\$ 8,815,645
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 16,064,356	\$ 4,214,959

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

CalSTRS

	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, 2015 (Previously Reported)	\$ 171,125,635	\$ 130,950,450	\$ 40,175,185	\$ 15,460,742	\$ 24,714,443
Adjustment for CalSTRS Audit Adjustments	-	(110,226)	110,226	(43,180)	153,406
Balance at June 30, 2015 (As Adjusted)	171,125,635	130,840,224	40,285,411	15,417,562	24,867,849
Changes for the year:					
Change in proportionate share	(1,666,835)	(1,275,513)	(391,322)	124,135	(515,457)
Service cost	3,782,531	-	3,782,531	1,481,764	2,300,767
Interest	12,632,947	-	12,632,947	4,948,814	7,684,133
Differences between expected and actual experience	(893,211)	-	(893,211)	(349,905)	(543,306)
Contributions:					
Employer	-	1,699,326	(1,699,326)	(714,163)	(985,163)
Employee	-	1,708,615	(1,708,615)	(669,331)	(1,039,284)
State On Behalf	-	1,094,417	(1,094,417)	(380,254)	(714,163)
Net investment income	-	5,182,016	(5,182,016)	(2,029,996)	(3,152,020)
Other income	-	2,679	(2,679)	(1,049)	(1,630)
Benefit payments, including refunds of employee contributions	(8,553,992)	(8,553,992)	-	-	-
Administrative expenses	-	(104,897)	104,897	41,092	63,805
Net Changes	5,301,440	(247,349)	5,548,789	2,451,107	3,097,682
Balance at June 30, 2016	<u>\$ 176,427,075</u>	<u>\$ 130,592,875</u>	<u>\$ 45,834,200</u>	<u>\$ 17,868,669</u>	<u>\$ 27,965,531</u>

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2015 (Previously Reported)	\$ 42,515,520	\$ 35,448,089	\$ 7,067,431
Changes for the year:			
Adjustment for Change in Proportionate Share	(1,671,487)	(1,393,633)	(277,854)
Service cost	971,864	-	971,864
Interest	3,081,579	-	3,081,579
Differences between expected and actual experience	677,561	-	677,561
Changes in assumptions	(728,436)	-	(728,436)
Contributions - Employer	-	782,884	(782,884)
Contributions - Employee	-	471,077	(471,077)
Net plan to plan resource movement	-	(77)	77
Net investment income	-	760,967	(760,967)
Benefit payments, including refunds of employee contributions	(1,994,022)	(1,994,022)	-
Administrative expenses	-	(38,351)	38,351
Net Changes	337,059	(1,411,155)	1,748,214
Balance at June 30, 2016	\$ 42,852,579	\$ 34,036,934	\$ 8,815,645

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

O. Postemployment Benefits Other Than Pension Benefits

Plan Descriptions and Contribution Information

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

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits	50
Active plan members	403
Total	453

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Annual OPEB Cost and Net OPEB Obligation

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

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2008-09	\$ 575,016	42%	\$ 336,252
2009-10	583,555	45%	659,900
2010-11	622,989	48%	984,954
2011-12	653,411	59%	1,184,564
2012-13	709,892	55%	1,504,738
2013-14	736,774	45%	1,910,189
2014-15	815,741	42%	2,384,772
2015-16	996,268	37%	3,015,153

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 is as follows:

Annual required contribution	\$ 877,029
Interest on net OPEB obligation	119,239
Adjustment to annual required contribution	-
Annual OPEB Cost	996,268
Contributions made	(365,887)
Increase in OPEB obligation	630,381
Net OPEB obligation, beginning of year	2,384,772
Net OPEB obligation, end of year	\$ 3,015,153

Funded Status and Funding Progress

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

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

Actuarial Methods and Assumptions

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

P. 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).

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, and 2015 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.

A summary of the deferred outflows of resources as of June 30, 2016 is as follows:

Description	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
2012 Loss on Refunding Bond	\$ 1,871,220	\$ -	\$ 124,748	\$ 1,746,472
2015 Loss on Refunding Bond	12,326,844	-	362,555	11,964,289
2015 Loss on Refunding COPs	-	1,153,080	57,654	1,095,426
Prepaid Debt Insurance	1,105,585	145,406	40,928	1,210,063
Pension Related	2,482,210	5,713,943	2,981,049	5,215,104
Total Deferred Outflows of Resources	<u>\$ 17,785,859</u>	<u>\$ 7,012,429</u>	<u>\$ 3,566,934</u>	<u>\$ 21,231,354</u>

Q. Deferred Inflows of Resources

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

A summary of the deferred outflows of resources as of June 30, 2016 is as follows:

Description	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
Pension Related	\$ 2,434,535	\$ 1,532,962	\$ 915,227	\$ 3,052,270
Total Deferred Inflows of Resources	<u>\$ 2,434,535</u>	<u>\$ 1,532,962</u>	<u>\$ 915,227</u>	<u>\$ 3,052,270</u>

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

R. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

Construction Commitments

As of June 30, 2016 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>
Solar Panels Project	\$ 5,853,529	Spring 2017

*Expected date of final completion subject to change.

S. Subsequent Events

Debt Issuance

On September 29, 2016 the District issued Refunding Certificates of Participation in the amount of \$6,505,000 plus a premium of \$707,671. The purpose of the issuance is to fully refund the 2007 Certificates of Participation and to pay debt issuance costs. The certificates of participation bear interest ranging from 2.00% to 4.00% with interest payments due semi-annually on March 1 and September 1 annually. The certificates mature annually with payments due September 1 beginning with September 1, 2017 and extending through September 1, 2037.

New Accounting Pronouncements

GASB Statement No. 74

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

The District has adopted the provisions of GASB Statement No. 74 effective for the 2016-17 fiscal year.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

GASB Statement No. 77

In August 2015, the Governmental Accounting Standards Board issued Statement No. 77, Tax Abatement Disclosures. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.

The gross dollar amount of taxes abated during the period.

Commitments made by a government, other than to abate taxes, as a part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

The names of the governments that entered into the agreements

The specific taxes being abated

The gross dollar amount of taxes abated during the period

The District has adopted the provisions of GASB Statement No. 77 effective for the 2016-17 fiscal year.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

GASB Statement No. 78

In December 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 78 Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has adopted the provisions of GASB Statement No. 78 effective for the 2016-17 fiscal year.

GASB Statement No. 79

In December 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 79 Certain External Investment Pools and Pool Participants This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has adopted the provisions of GASB Statement No. 79 effective for the 2016-17 fiscal year.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

GASB Statement No. 80

In January 2016 the Governmental Accounting Standards Board (GASB) issued Statement No. 80 Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The District has adopted the provisions of GASB Statement No. 80 effective for the 2016-17 fiscal year.

Required Supplementary Information

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

SAN YSIDRO SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT B-1

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 21,563,215	\$ 21,384,860	\$ 20,551,334	\$ (833,526)
Education Protection Account Funds	5,377,347	5,381,781	6,317,081	935,300
Local Sources	14,339,696	14,352,150	15,775,482	1,423,332
Federal Revenue	3,033,452	4,506,256	3,923,270	(582,986)
Other State Revenue	1,910,539	3,258,154	5,363,677	2,105,523
Other Local Revenue	3,116,864	3,116,088	4,827,145	1,711,057
Total Revenues	<u>49,341,113</u>	<u>51,999,289</u>	<u>56,757,989</u>	<u>4,758,700</u>
Expenditures:				
Current:				
Certificated Salaries	20,812,785	21,193,747	21,357,625	(163,878)
Classified Salaries	6,945,394	6,853,329	8,079,372	(1,226,043)
Employee Benefits	7,745,892	7,747,839	9,961,201	(2,213,362)
Books And Supplies	3,251,785	4,215,098	2,111,674	2,103,424
Services And Other Operating Expenditures	6,620,691	7,603,199	8,660,025	(1,056,826)
Other Outgo	-	-	203,389	(203,389)
Direct Support/Indirect Costs	(184,128)	(62,446)	(185,242)	122,796
Capital Outlay	100,397	163,032	261,126	(98,094)
Debt Service:				
Principal	245,085	1,265,355	1,265,355	-
Total Expenditures	<u>45,537,901</u>	<u>48,979,153</u>	<u>51,714,525</u>	<u>(2,735,372)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,803,212</u>	<u>3,020,136</u>	<u>5,043,464</u>	<u>2,023,328</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	3,803,212	3,020,136	5,043,464	2,023,328
Fund Balance, July 1	8,190,391	8,190,391	8,190,391	-
Fund Balance, June 30	<u>\$ 11,993,603</u>	<u>\$ 11,210,527</u>	<u>\$ 13,233,855</u>	<u>\$ 2,023,328</u>

SAN YSIDRO SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS PLAN
YEAR ENDED JUNE 30, 2016

EXHIBIT B-2

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

SAN YSIDRO SCHOOL DISTRICT

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.0414%	0.0423%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 27,965,531	\$ 24,867,850	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
State's proportionate share of the net pension liability (asset) associated with the District	17,868,668	15,417,562	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	<u>\$ 45,834,199</u>	<u>\$ 40,285,412</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
District's covered-employee payroll	\$ 20,809,981	\$ 19,136,554	\$ N/A	\$ N/A	\$ N/A	\$ 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	134.39%	129.95%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	74.02%	76.52%	N/A	N/A	N/A	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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 2,232,911	\$ 1,699,326	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(2,232,911)	(1,699,326)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
District's covered-employee payroll	\$ 20,809,981	\$ 19,136,554	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	10.73%	8.88%	N/A	N/A	N/A	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 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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.0598%	0.0623%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 8,815,645	\$ 7,067,431	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 8,329,839	\$ 6,650,956	\$ N/A	\$ N/A	\$ N/A	\$ 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	105.83%	106.26%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	79.43%	83.38%	N/A	N/A	N/A	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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 986,836	\$ 782,884	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(986,836)	(782,884)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
District's covered-employee payroll	\$ 8,329,839	\$ 6,650,956	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	11.847%	11.771%	N/A	N/A	N/A	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 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, 2016

Excess of Expenditures Over Appropriations

As of June 30, 2016, 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 \$	163,878	The District underestimated costs for certificated salaries.
Classified Salaries	1,226,043	The District underestimated costs for classified salaries.
Employee Benefits	2,213,362	The District underestimated costs for employee benefits.
Services & Other	1,056,826	The District underestimated costs for services & other.
Other Outgo	203,389	The District underestimated costs for other outgo.
Capital Outlay	98,094	The District underestimated costs for capital outlay.

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

Benefit Changes: In 2015 & 2016 there were no changes to benefits

Changes in Assumptions: In 2015 & 2016 there were no changes in assumptions

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

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014 & June 30, 2015 used the following actuarial methods and assumptions:

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2016</u>
Valuation Date	June 30, 2014	June 30, 2015
Experience Study	July 1, 2006 through June 30, 2010	July 1, 2007 through June 30, 2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%
Post Retirement Benefit Increases	2.00% Simple	2.00% Simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members using the RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are industry standards of mortality rates published by the Society of Actuaries. See CalSTRS experience analysis published on the CalSTRS website for more information.

Schedule of District's Proportionate Share - California Public Employee's Retirement System (CalPERS)

Benefit Changes: In 2015 & 2016 there were no changes to benefits.

Changes in Assumptions: In 2015 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65% to correct for an adjustment to exclude administrative expense.

Schedule of District Contributions - California Public Employee's Retirement System (CalPERS)

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014 & June 30, 2015 used the following actuarial methods and assumptions:

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2016</u>
Valuation Date	June 30, 2014	June 30, 2015
Experience Study	July 1, 1996 through June 30, 2010	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.65%
Consumer Price Inflation	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%
Post Retirement Benefit Increases	2.00% Simple	2.00% - 2.75%

The mortality table used was developed based on CalPERS specified data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. For more details on this table, please refer to the experience studies available on the CalPERS website.

Combining Statements and Budget Comparisons as Supplementary Information

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

SAN YSIDRO SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2016

	Special Revenue Funds	Debt Service Fund Blended Component Unit	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 639,514	\$ -	\$ 1,566,487	\$ 2,206,001
Cash on Hand and in Banks	238,864	-	-	238,864
Accounts Receivable	424,081	-	1,549	425,630
Stores Inventories	32,452	-	-	32,452
Total Assets	<u>1,334,911</u>	<u>-</u>	<u>1,568,036</u>	<u>2,902,947</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 241,226	\$ -	\$ -	\$ 241,226
Unearned Revenue	11,470	-	-	11,470
Total Liabilities	<u>252,696</u>	<u>-</u>	<u>-</u>	<u>252,696</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	32,452	-	-	32,452
Restricted Fund Balances	1,049,763	-	1,568,036	2,617,799
Total Fund Balance	<u>1,082,215</u>	<u>-</u>	<u>1,568,036</u>	<u>2,650,251</u>
Total Liabilities and Fund Balances	<u>\$ 1,334,911</u>	<u>\$ -</u>	<u>\$ 1,568,036</u>	<u>\$ 2,902,947</u>

SAN YSIDRO SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds	Debt Service Fund Blended Component Unit	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 2,160,004	\$ -	\$ -	\$ 2,160,004
Other State Revenue	1,231,385	-	-	1,231,385
Other Local Revenue	178,591	-	548,785	727,376
Total Revenues	<u>3,569,980</u>	<u>-</u>	<u>548,785</u>	<u>4,118,765</u>
Expenditures:				
Current:				
Instruction	824,657	-	-	824,657
Instruction - Related Services	238,166	-	-	238,166
Pupil Services	2,516,816	-	-	2,516,816
General Administration	185,242	-	22,967	208,209
Plant Services	48,126	-	-	48,126
Capital Outlay	28,715	-	-	28,715
Debt Service:				
Principal	-	1,315,000	-	1,315,000
Interest	-	1,436,114	-	1,436,114
Total Expenditures	<u>3,841,722</u>	<u>2,751,114</u>	<u>22,967</u>	<u>6,615,803</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(271,742)</u>	<u>(2,751,114)</u>	<u>525,818</u>	<u>(2,497,038)</u>
Other Financing Sources (Uses):				
Transfers In	-	2,751,114	-	2,751,114
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,751,114</u>	<u>-</u>	<u>2,751,114</u>
Net Change in Fund Balance	(271,742)	-	525,818	254,076
Fund Balance, July 1	1,353,957	-	1,042,218	2,396,175
Fund Balance, June 30	<u>\$ 1,082,215</u>	<u>\$ -</u>	<u>\$ 1,568,036</u>	<u>\$ 2,650,251</u>

SAN YSIDRO SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2016

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 104,796	\$ 534,718	\$ 639,514
Cash on Hand and in Banks	-	238,864	238,864
Accounts Receivable	96,520	327,561	424,081
Stores Inventories	-	32,452	32,452
Total Assets	<u>201,316</u>	<u>1,133,595</u>	<u>1,334,911</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 97,621	\$ 143,605	\$ 241,226
Unearned Revenue	-	11,470	11,470
Total Liabilities	<u>97,621</u>	<u>155,075</u>	<u>252,696</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	-	32,452	32,452
Restricted Fund Balances	103,695	946,068	1,049,763
Total Fund Balance	<u>103,695</u>	<u>978,520</u>	<u>1,082,215</u>
Total Liabilities and Fund Balances	<u>\$ 201,316</u>	<u>\$ 1,133,595</u>	<u>\$ 1,334,911</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, 2016

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ -	\$ 2,160,004	\$ 2,160,004
Other State Revenue	1,091,714	139,671	1,231,385
Other Local Revenue	144,812	33,779	178,591
Total Revenues	<u>1,236,526</u>	<u>2,333,454</u>	<u>3,569,980</u>
Expenditures:			
Current:			
Instruction	824,657	-	824,657
Instruction - Related Services	238,166	-	238,166
Pupil Services	72,762	2,444,054	2,516,816
General Administration	63,132	122,110	185,242
Plant Services	48,126	-	48,126
Capital Outlay	-	28,715	28,715
Total Expenditures	<u>1,246,843</u>	<u>2,594,879</u>	<u>3,841,722</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,317)</u>	<u>(261,425)</u>	<u>(271,742)</u>
Net Change in Fund Balance	(10,317)	(261,425)	(271,742)
Fund Balance, July 1	114,012	1,239,945	1,353,957
Fund Balance, June 30	<u>\$ 103,695</u>	<u>\$ 978,520</u>	<u>\$ 1,082,215</u>

SAN YSIDRO SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2016

	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 1,561,131	\$ 5,356	\$ 1,566,487
Accounts Receivable	1,541	8	1,549
Total Assets	<u>1,562,672</u>	<u>5,364</u>	<u>1,568,036</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Restricted Fund Balances	\$ 1,562,672	\$ 5,364	\$ 1,568,036
Total Fund Balance	<u>1,562,672</u>	<u>5,364</u>	<u>1,568,036</u>
Total Liabilities and Fund Balances	<u>\$ 1,562,672</u>	<u>\$ 5,364</u>	<u>\$ 1,568,036</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, 2016

	Capital Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	\$ 548,754	\$ 31	\$ 548,785
Total Revenues	<u>548,754</u>	<u>31</u>	<u>548,785</u>
Expenditures:			
Current:			
General Administration	22,967	-	22,967
Total Expenditures	<u>22,967</u>	<u>-</u>	<u>22,967</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>525,787</u>	<u>31</u>	<u>525,818</u>
Net Change in Fund Balance	525,787	31	525,818
Fund Balance, July 1	1,036,885	5,333	1,042,218
Fund Balance, June 30	<u>\$ 1,562,672</u>	<u>\$ 5,364</u>	<u>\$ 1,568,036</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, 2016

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

Governing Board		
Name	Office	Term and Term Expiration
Rosaleah Pallasique	President	Four Year Term Expires December 2020
Irene Lopez	Vice President	Four Year Term Expires December 2018
Rodolfo Linares	Clerk	Four Year Term Expires December 2018
Antonio Martinez	Member	Four Year Term Expires December 2020
Marcos A. Diaz	Member	Four Year Term Expires December 2018

Administration
Julio Fonseca, Ed.D. Superintendent
Jose Arturo Sanchez Macias Deputy Superintendent

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2016

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	2,022.82	1,969.23	2,029.77	1,969.11
Extended Year Special Education	2.12	2.12	2.12	2.12
Nonpublic, Nonsectarian Schools	-	-	-	-
TK/K-3 Totals	<u>2,024.94</u>	<u>1,971.35</u>	<u>2,031.89</u>	<u>1,971.23</u>
Grades 4-6:				
Regular ADA	1,665.86	1,595.39	1,662.85	1,592.24
Extended Year Special Education	1.03	1.03	1.03	1.03
Nonpublic, Nonsectarian Schools	2.85	2.85	2.80	2.80
Extended Year Nonpublic	1.79	1.79	1.79	1.79
Grades 4-6 Totals	<u>1,671.53</u>	<u>1,601.06</u>	<u>1,668.47</u>	<u>1,597.86</u>
Grades 7 and 8:				
Regular ADA	1,114.66	976.71	1,198.30	979.49
Extended Year Special Education	0.80	0.80	0.80	0.80
Nonpublic, Nonsectarian Schools	1.87	1.87	1.79	1.79
Extended Year Nonpublic	1.96	1.96	1.96	1.96
Grades 7 and 8 Totals	<u>1,119.29</u>	<u>981.34</u>	<u>1,202.85</u>	<u>984.04</u>
ADA Totals	<u><u>4,815.76</u></u>	<u><u>4,553.75</u></u>	<u><u>4,903.21</u></u>	<u><u>4,553.13</u></u>

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, 2016

TABLE D-2

Grade Level	Ed. Code 46207 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	40,500	180	-	Complied
Kindergarten	36,000	54,686	180	-	Complied
Grade 1	50,400	55,796	180	-	Complied
Grade 2	50,400	55,796	180	-	Complied
Grade 3	50,400	55,796	180	-	Complied
Grade 4	54,000	55,796	180	-	Complied
Grade 5	54,000	55,796	180	-	Complied
Grade 6	54,000	55,796	180	-	Complied
Grade 7	54,000	56,844	180	-	Complied
Grade 8	54,000	56,844	180	-	Complied

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

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

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2016

TABLE D-3

General Fund	Budget 2017 (See Note 1)	2016	2015	2014
Revenues and other financial sources	\$ 54,546,737	\$ 56,757,989	\$ 45,549,204	\$ 41,881,727
Expenditures, other uses and transfers out	53,552,448	51,714,525	43,719,451	40,133,797
Change in fund balance (deficit)	994,289	5,043,464	1,829,753	1,747,930
Ending fund balance	\$ 14,228,144	\$ 13,233,855	\$ 8,190,391	\$ 6,360,638
Available reserves (See Note 2)	\$ 13,776,958	\$ 10,319,703	\$ 5,402,575	\$ 2,904,402
Available reserves as a percentage of total outgo (See Note 3)	25.7%	20.5%	12.7%	7.4%
Total long-term debt	\$ 239,335,057	\$ 245,099,043	\$ 238,654,122	\$ 193,241,763
Average daily attendance at P-2	4,608	4,554	4,603	4,861

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

The fund balance of the general fund has increased by \$6,873,217 (108.06%) over the past two years. The fiscal year 2016-17 budget projects an increase of \$994,289 (7.51%). 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 \$51,857,280 over the past two years (See Note 4).

Average daily attendance has decreased by 307 over the past two years.

Notes:

- 1 Budget 2017 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$1,335,402, \$1,065,994, and \$937,375, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2016, 2015, and 2014.
- 4 As a result of implementation of GASB Statement No. 68, long term liabilities for the year ended June 30, 2015 and June 30, 2016 include net pension liabilities which were not previously accounted for. As such, total long term debt for the years ended June 30, 2015 and June 30, 2016 are not comparable to previous years represented in this table.

SAN YSIDRO SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

TABLE D-4

	General Fund	Cafeteria Fund	Blended Component Unit Fund
June 30, 2016, annual financial and budget report fund balances	\$ 15,961,276	\$ 621,906	\$ 2,054,477
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
Corrections to Inventory	(55,588)	29,705	-
Corrections to Accounts Payable	(2,672,409)	-	-
Corrections to Revolving Cash	1,282	-	-
Corrections to Cash in Bank	(705)	237,864	-
Corrections to Accounts Receivable	-	89,044	2,245
Corrections to Cash in County Treasury	-	-	(37,694)
Corrections to Cash with Fiscal Agent	-	-	53,860
Rounding Variance	(1)	1	1
Net adjustments and reclassifications	(2,727,421)	356,614	18,412
June 30, 2016, audited financial statement fund balances	\$ 13,233,855	\$ 978,520	\$ 2,072,889

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, 2016

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	\$ -	\$ 366,644
National School Lunch Program Noncash Commodities	10.555	13396	-	81,786
National School Lunch Program Section 11	10.555	13396	-	1,402,506
National School Lunch Program Section 4	10.555	13523	-	235,833
National School Lunch Program Meal Supplement	10.555	23165	-	73,235
Total Passed Through State Department of Education			-	2,160,004
Total U. S. Department of Agriculture			-	2,160,004
Total Child Nutrition Cluster			-	2,160,004
MEDICAID CLUSTER:				
<u>U. S. Department of Health and Human Services</u>				
Passed Through State Department of Education:				
Medi-Cal Billing Option	93.778	10013	-	4,000
Medi-Cal MAA	93.778	10013	-	132,816
Total Passed Through State Department of Education			-	136,816
Total U. S. Department of Health and Human Services			-	136,816
Total Medicaid Cluster			-	136,816
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA Basic Local Assistance	84.027	13379	-	780,903
IDEA Preschool Local	84.027	13682	-	75,020
IDEA Mental Health	84.027	14468	-	44,161
IDEA Preschool Grants	84.173	13430	-	38,672
Total Passed Through State Department of Education			-	938,756
Total U. S. Department of Education			-	938,756
Total Special Education (IDEA) Cluster			-	938,756
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Title I	84.010	14329	-	1,989,978
Title III	84.365	15146 & 14346	-	418,795
Title II Teacher Quality	84.367	14341	-	380,984
Total Passed Through State Department of Education			-	2,789,757
Total U. S. Department of Education			\$ -	\$ 2,789,757
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
Team Nutrition	10.574	15332	\$ -	\$ 770
Total U. S. Department of Agriculture			-	770
TOTAL EXPENDITURES OF FEDERAL AWARDS			-	6,026,103

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, 2016

Basis of Presentation

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

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 7.30% 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 School 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:

<u>Program</u>	<u>CFDA#</u>	<u>Indirect Cost Rate</u>
Title I	84.010	6.75%
Title II Teacher Quality	84.367	6.85%
Child Nutrition Cluster	10.553, 10.555	5.11%

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 School in it's schoolwide program:

<u>Program</u>	<u>CFDA#</u>	<u>Amount Expended</u>
Title I	84.010	\$1,989,978

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, 2016, 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 January 31, 2017.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-001, 2016-003, 2016-004, and 2016-007 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2016-002, 2016-005, and 2016-009 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the San Ysidro School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2016-005, 2016-006, 2016-007, 2016-008, and 2016-009.

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
January 31, 2017

Independent Auditor's Report on Compliance for Each Major Program and
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, 2016. San Ysidro School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-005 and 2016-006. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of 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.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-006 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-005 to be a significant deficiency.

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

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

Wilkinson Hadley King + Co LLP

El Cajon, California

January 31, 2017

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 *2015-16 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, 2016.

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, *2015-16 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, *2015-16 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
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
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
Immunizations	Yes
CHARTER SCHOOLS:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

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

Opinion on State Compliance

In our opinion, San Ysidro School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2015-16 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 items 2016-007, 2016-008, and 2016-009.

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 *2015-16 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-Hadley King + Co LLP

El Cajon, California
January 31, 2017

Findings and Recommendations Section

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

One or more material weaknesses identified?	<u>X</u>	Yes	<u> </u>	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<u>X</u>	Yes	<u> </u>	None Reported

Noncompliance material to financial statements noted?	<u>X</u>	Yes	<u> </u>	No
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2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?	<u>X</u>	Yes	<u> </u>	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<u>X</u>	Yes	<u> </u>	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	<u>X</u>	Yes	<u> </u>	No
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	<u> </u>	Yes	<u>X</u>	No
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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?	<u>X</u>	Yes	<u> </u>	No
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Type of auditor's report issued on compliance for state programs: Unmodified

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

B. Financial Statement Findings

Finding 2016-001 (30000)
Blended Component Unit Accounting

Criteria or Specific Requirement

Verify that the District has accounted for component units in accordance with GASB Statement No. 61

Condition

In our review of component units we noted that the District did not post any activity for blended component units prior to closing the books.

Questioned Costs

None

Context

In accordance with GASB Statement No. 61 a component unit should be included in the District's financial statements using the blending method when the component unit's governing body is substantively the same as the District and management of the District has operational responsibility for the component unit. The Board of Directors for the District has governing control over the San Ysidro School District Financing Corporation and three CFD's. Management of the District has operational responsibility for these component units. The District in previous years had established Fund 49 and Fund 52 in order to account for the activities of the component units. No activity was posted to the funds for the 2015-16 fiscal year.

Effect

Funds 49 and 52 were misstated and had to be corrected via audit adjusting journal entry. Additionally, since no activity was posted to these funds, conversion entries did not extract payments of debt resulting in a material misstatement on the government-wide financial statements that had to be corrected via audit adjusting journal entry.

Cause

The District transitioned into a new accounting system, PeopleSoft, during the 2015-16 fiscal year. During the conversion from the former financial information system and the new financial information system Funds 49 and 52 were not set up by the County Office of Education. The funds were not added to the new financial information system until November 2016.

Recommendation

Establish procedures to account for all activities of component units. Establish procedures to review financial information prior to closing the books to ensure the information is complete and accurate.

LEA's Response

The District can now incorporate Blended Funds in the Financial Statements as we have all Funds reported in one Accounting Software. The District will review the accuracy and posting of all transactions in order to accurately report its financial position.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Finding 2016-002 (30000)
Deposit Controls

Criteria or Specific Requirement

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

Condition

In our review of deposits we noted that back up documentation provided for two deposits was not in agreement with amounts recorded in the accounting records. In addition, four deposits tested had cash transmittal forms that were incomplete and did not document dual counts of cash.

Questioned Costs

None

Context

Six deposits out of twenty five tested did not have adequate supporting documentation. Dual counts and cash transmittal forms are internal controls that aid in the prevention, detection and deterrence of fraud due to misappropriation. Deposits in question were discussed with the District in December, no further documentation was provided to the auditors showing documentation of dual counts.

Cause

The District did not monitor internal control processes and procedures to ensure that all deposits were adequately documented and contained documentation of dual counts of cash.

Effect

The District's funds are exposed to risk of misappropriation of assets. A misstatement, whether due to fraud or error, might not be prevented, detected or corrected by the District's internal control procedures.

Recommendation

Establish internal control procedures over deposits that will prevent, detect and deter misappropriation and misstatements, whether due to fraud or error. Establish monitoring systems over established control procedures to ensure all employees are following established procedures.

LEA's Response

The District categorically disagrees with the "cause" written on finding 2016-002 (30000). The items tested, in some cases, show inaccurate findings. Items tested # 6, 14, 18-20 have a double verification process; the site takes in and verifies cash, and then the DO accounting team verifies transaction and does cash deposit/posting... The cash reconciliation takes place prior to actual deposit, with a two-way verification process – WHK & Co. auditors did not present or ask AP/AR for process or further questions to resolve the alleged deficiencies. Item tested # 16 has inaccurate findings; the cash deposited agrees with the AR Direct Cash Journal receipts provided (the District can provide verification). The District disagrees with this finding in its entirety, and has no further response.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Finding 2016-003 (30000)
Year End Closing

Criteria or Specific Requirement

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

Condition

In our review of the financial statements, we noted several areas that were misstated. These misstatements were not identified by the district's year end closing process.

Questioned Costs

None

Context

The discrepancies were noted as a part of our analytical and substantive procedures performed on significant transaction classes.

Cause

The District did not have a procedure in place to review all transaction classes to ensure accurate reporting prior to closing of books.

Effect

Audit adjusting journal entries had to be posted to the financial statements to correct misstatements. Entries were posted to correct cash, accounts receivable, inventory, accounts payable, revenue, and expenses.

Recommendation

Establish reconciliation procedures to ensure that financial statements are recorded correctly and all transactions of the account are properly accounted for.

LEA's Response

The District is diligently finding ways to create SOP to ensure the accuracy when posting transactions. Management will ensure that staff understands all of the procedures established in the CSAM. Professional Development for the Accounting Staff will be provided, as well as check and balance process between Controller and Deputy Superintendent to review all transactions posted.

Finding 2016-004 (30000)
Capital Asset Accounting

Criteria or Specific Requirement

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

Condition

The District was unable to provide a detail of work in progress and a detail of items deleted from the depreciation schedule. We were unable to reconcile ending capital assets to supporting documentation sufficient to meet audit evidence requirements.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Questioned Costs

None

Context

The District provided a depreciation schedule which showed some additions. The additions noted did not agree with amounts recorded as capital outlay in the financial statements. Upon further review of the depreciation schedule, we noted that it appears some items have been deleted. We made requests for detail of items deleted from the depreciation schedule, work in progress schedule, and a reconciliation to verify correct ending balance numbers. The District was unable to provide requested information.

Cause

The District did not have a system in place to track additions and deletions of capital assets contemporaneously. In addition, the District did not have an understanding of generally accepted accounting principles with regards to capital assets.

Effect

We do not have sufficient audit evidence to offer an opinion on capital assets. The District's procedures would not identify a misstatement, whether due to fraud or error.

Recommendation

Establish procedures to track additions and deletions to capital assets contemporaneously. Establish a detail of work in progress to track ongoing projects. Establish a reconciliation process to ensure accurate reporting of capital assets.

LEA's Response

The District will mentor the proper booking of all capital expenditures into one and all available software, to maximize reporting accuracy and financial accountability.

C. Federal Award Findings and Questioned Costs

Finding 2016-005 (50000)
Special Tests & Provisions
School Wide Plan

Federal Program Information

Program:	Title I
CFDA #:	84.010
Program Year:	2015-16
Federal Agency:	US Department of Education
Pass-through Agency:	California Department of Education
Pass-through Identifying Number:	14329

Criteria or Specific Requirement

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

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Condition

In our review of schoolwide plans we noted that one of the five required components were not present in the plans for Smythe Elementary, Sunset Elementary and Vista Del Mar Elementary. The plans were missing component 5, transition plans for assisting preschool children in the successful transition to the school wide program.

Questioned Costs

Program expenditures under the program at Smyth Elementary, Sunset Elementary and Vista Del Mar Elementary were:

<u>CFDA #</u>	<u>Program</u>	<u>Questioned Costs</u>
84.010	2015-16 Title I	\$463,274

Context

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

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

A schoolwide plan must also include the following five components:

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

The district has 3 schoolwide programs which operate kindergarten programs. We reviewed the schoolwide plan for all 3 schools. The District's 2016-17 schoolwide plans approved on June 23, 2016 include the missing core element. This element was missing from the 2015-16 schoolwide plans.

This finding is a repeat finding.

Cause

The District misunderstood the requirement outlined in 34 CFR 200.28(e) and did not include this section.

Effect

1 out of 5 required components were not included in the schoolwide plans.

Recommendation

Provide training to school site councils and school site personnel as to the requirements for schoolwide plans. Work with the school site councils to ensure all required core elements and components are included in the schoolwide plans. Establish the transition plans for assisting preschool children in the successful transition to the schoolwide program.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

LEA's Response

The District disagrees with the findings. The transition requirement is located in the SPSA's approved June 23, 2016.

Finding 2016-006 (50000)
Allowable Costs/Cost Principles
Documentation of Employee Time & Effort

Federal Program Information

Program:	Special Education - IDEA Basic Local Assistance
CFDA #:	84.027
Program Year:	2015-16
Federal Agency:	US Department of Education
Pass-through Agency:	California Department of Education
Pass-through Identifying Number:	13379

Criteria or Specific Requirement

CFR section 200.430(i)(1)(vii) requires that when federal funds are expended employees charged to the program document their time and effort to support the charges. When the employee is paid from a single program or cost objective the documentation must be completed periodically (at least semi-annually). When the employee is paid from multiple programs or cost objectives the documentation must be completed monthly. Documentation under both methods must be an after-the-fact certification of actual effort expended.

Condition

In our review of employees charged to the Special Education program, we noted that the district was unable to provide periodic or monthly certifications of actual effort expended in accordance with CFR section 200.430(i)(1)(vii) for one employee charged to the program. Upon further investigation, it was discovered that this employee should not have been charged to the Special Education program.

Cause

The District did not update position in the payroll system when this employee changed positions and was no longer working for the federal program. The District did not have a system in place to reconcile between federal time accounting and payroll system to make adjustments and correct employees charged to incorrect programs.

Effect

An employee was incorrectly charged to the Special Education - IDEA Basic Grant. In addition, because there is not currently a reconciliation process, the district is at risk of incorrectly charging additional employees and not catching the error in a timely manner.

Questioned Costs

Actual payroll and benefits charged for the employee incorrectly coded to the program are questioned as follows:

Program:	Special Education - IDEA Basic
CFDA #:	84.027
Program Year:	2015-16
Questioned Costs:	\$12,089

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Context

We reviewed documentation of employee time & effort for 25 employees out of 42 employees charged to the Special Education Cluster. Of the 25 employees reviewed for the cluster we reviewed 13 employees specific to the Special Education - IDEA Basic out of 31 charged to that program within the cluster. Our sample size was selected haphazardly and therefore is not a statistically valid sample. We identified only one instance of the error.

The finding is a repeat finding.

Recommendation

Establish position control procedures to ensure that when employees change positions the information is updated in the payroll system. In addition, establish procedures to reconcile documentation of employee time and effort completed for federal programs to payroll records. If an employee is incorrectly charged to a program prepare journal entries to move costs out of the program prior to closing of the books.

LEA's Response

We are now using a form called Payroll Employee Status Information (P1).

This form will be used to notify payroll and position control of any changes in employee labor costs and labor distribution. The department budget tables will be updated to the correct funding source and any costs charged to the incorrect funding source will be reclassified to the correct funding source. A periodic review of Federal labor costs along with PARs and Semiannual Certifications will be conducted quarterly.

D. State Award Findings and Questioned Costs

Finding 2016-007 (10000)
Attendance Reporting

Criteria or Specific Requirement

Determine that amounts reported to the California Department of Education on the P2 report and Annual report of attendance are clerically accurate and reconcile to the School's supporting records based on the guidelines and provisions under Education Code Sections 41601.

Condition

In our review of the P2 and Annual report, we noted that home instruction was calculated incorrectly and overstated. The District claimed 1 ADA for every day a student participated in home and hospital.

Cause

The District did not understand how to calculate ADA for home and hospital.

Effect

ADA was overstated by 262.02 at P2 and 350.07 at Annual. The District was overfunded on programs that are calculated using ADA, such as LCFF.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Adjustments to ADA by grade span are as follows:

<u>Grade Span</u>	<u>P2 Adjustment</u>	<u>Annual Adjustment</u>
Grades K-3	53.59	60.66
Grades 4-6	70.47	70.60
Grades 7-8	<u>137.96</u>	<u>218.81</u>
Total	262.02	350.07

Questioned Costs

\$2,601,755

Questioned costs were calculated by correcting ADA in the LCFF Calculation schedules and comparing changes once correct ADA is used.

Context

Education Code Section 41601(a) states the following: The average daily attendance in regular elementary, middle, and high schools, including continuation schools and classes, opportunity schools and classes, and special day classes, maintained by the school districts shall be determined by dividing the total number of days of attendance allowed in all full school months in each period by the number of days the schools are actually taught in all full school months in each period, exclusive of Saturdays or Sundays and exclusive of weekend makeup classes pursuant to Section 37223.

Recommendation

Provide training to employees regarding calculation of ADA. Establish written procedures over reporting of ADA. Establish review procedures to verify accuracy of reporting prior to submission of attendance reports to the California Department of Education.

LEA's Response

The District will dispute this finding with the CDE and the interpretation of the Ed Code 41601(a). Once the CDE makes a determination, the District will follow the law as prescribed on the Ed Code above mentioned.

Finding 2016-008 (10000)
Attendance Verification

Criteria or Specific Requirement

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

Condition

In our review of attendance at Ocean View, we noted that teacher verification of attendance is not being completed within one week of attendance being taken. In addition, there were several instances of teacher backdating signatures to dates prior to the reports being printed.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Questioned Costs

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

Cause

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

Effect

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

Recommendation

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

LEA's Response

All schools have been directed and trained on how to take proper attendance. We will continue training and monitoring attendance regularly to ensure schools sites are following attendance procedures and policies.

Finding 2016-009 (40000)
Unduplicated Pupil Counts

Criteria or Specific Requirement

Verify a sample of students claimed on the "1.18 - FRPM/English Learner/Foster Youth - Student List" report under the free or reduced price meal program to supporting documentation showing eligibility for the free or reduced price meal program. Supporting documentation can be a free and reduced priced meal eligibility application under a federal nutrition program, an alternative household income data collection form that indicates the student was eligible for the designation, or a direct certification list obtained from the county welfare department, or the county office of education, that matches enrolled students against those children/households receiving CalFresh (or CALWORKs) benefits.

Condition

In our review of students reported as Free and Reduced Price Meal (FPRM) eligible on Form "1.18 – FRPM/English Learner/Foster Youth -Student List" we found that 2 of the 36 selected for testing were incorrectly designated as eligible under free or reduced price meal program (FRPM).

Questioned Costs

\$47,916 reduction in supplemental and concentration grants based on audit adjustment to the unduplicated pupil counts of extrapolated errors.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Audit Adjustments to the counts are as follows:

	<u>Funded Under LCFF</u>	<u>Audit Adjustments</u>	<u>Adjusted Counts</u>
Total Enrollment	4,808	0	4,808
Unduplicated Pupil Counts:			
Free & Reduced Meal Program (FRPM)	930	(56)	874
English Learners (ELAS)	14	0	14
Both FRPM & ELAS	1,521	0	1,521
Other Funded (Dir. Certification, etc.)	2,334	0	2,334
Total Unduplicated Pupil Counts	<u>4,799</u>	<u>(56)</u>	<u>4,743</u>

Context

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

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

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

Cause

The District did not have controls in place to review and ensure that all students redesignated as Paid" were updated through the CALPADS system and that all students reported on the CALPADS 1.18 report had Free and Reduced Price Meal (FRPM) eligibility applications on file.

Effect

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

Recommendation

Implement a process to double check students reported for unduplicated pupil counts prior to the final re-certification date for CalPADS. Re-certify with corrected numbers for any known errors.

LEA's Response

SOPs will be created to review CALPADS data with Ed Services, Nutrition Services, and Finance to ensure the accuracy of all Pupils data.

SAN YSIDRO SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2015-001 Internal Controls over Payroll</p> <p>In our review of internal controls established for payroll, position control procedures are performed by the payroll department who are also responsible for issuing paychecks. The lack of a segregation of duties over these procedures provides an opportunity for a single individual to create a false employee and issue paychecks to that false employee. We performed additional procedures and did not identify any actual instances of false employees being input into the system, though the opportunity exists.</p> <p>We recommended that the position control and payroll duties be segregated between the payroll and human resources department.</p>	Implemented	
<p>Finding 2015-002 Internal Controls over Associated Student Body Funds</p> <p>San Ysidro Middle School was unable to provide supporting documentation for five out of ten deposits tested in student body accounts. In addition, the school operates a student store but does not keep an inventory of items on hand.</p> <p>Establish procedures to regularly inventory student body stores. Establish procedures over deposits to ensure amounts deposited are in agreement with amounts collected. Establish an ASB Advisor and ensure they understand that they are responsible for oversight of all associated student body activities and deposits.</p>	Partially Implemented	See Finding 2016-002
<p>Finding 2015-003 Year End Closing</p> <p>In our review of the financial statements, we noted that the District left a single individual responsible for all closing entries in the financial system. District management did not review the financial information posted by this non-management individual and as a result did not identify a misstatement in the financial system. The financial statements did not include entries associated with the issuance of general obligation refunding bonds. Consequently, the government-wide financial statements contained a material misstatement that was not identified by the districts controls.</p> <p>Establish procedures to review all financial information prior to closing of the books to ensure accuracy of reporting.</p>	Not Implemented	See Finding 2016-003

SAN YSIDRO SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2015-004 Federal Time Accounting</p> <p>Multi-Funded employees did not complete a Personnel Activity Report (PAR) monthly, instead they signed a report at the end of April for each month in the year. The time spent on each activity was not completed by the employee or the employee's supervisor who have first-hand knowledge of the activities. It appears that a single individual filled the time spent on each activity for all employees and that the time was based on the District's budget rather than actual activities. In addition, all PARs have a statement at the bottom indicating that the activities may not meet the requirements of the program.</p> <p>Establish procedures for documenting time charged to federal programs that is consistent with the requirements of OMB Circular A-87. Procedure 905 of the California School Accounting Manual provides detailed information on the requirements and sample reports which can be used in establishing procedures. Provide training to individuals charged with preparing documentation as to the requirements of federal time accounting and district procedures. Ensure that reporting takes place based upon actual activities rather than budgeted activities.</p>	<p>Partially Implemented</p>	<p>See Finding 2016-006</p>
<p>Finding 2015-005 School Wide Plan</p> <p>In our review of schoolwide plans we noted that the school wide plans did not contain the required core elements and components.</p> <p>Provide training to school site councils and school site personnel as to the requirements for schoolwide plans. Work with the school site councils to ensure all required core elements and components are included in the schoolwide plans.</p>	<p>Partially Implemented</p>	<p>See Finding 2016-005</p>
<p>Finding 2015-006 Comparability</p> <p>The District was unable to provide comparability documentation for audit purposes.</p> <p>Establish procedures to ensure comparability documentation is updated at least biennially and that the documentation is maintained for audit purposes. Establish cross training procedures to ensure that in the event that the district experiences turnover, documentation is still available for audit purposes.</p>	<p>Implemented</p>	

SAN YSIDRO SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2015-007 Attendance Verification</p> <p>In our review of attendance at school sites we noted the following conditions: 1. At Ocean View, teacher verification of attendance is not being completed within one week of the attendance being taken. 2. At Ocean View, the attendance clerk is not maintaining a phone log or documentation of phone calls with parents for absence verification. 3. At Vista Del Mar, teachers were backdating signatures on attendance verification reports. As a result we could not determine if the verification happened within one week of the attendance being taken.</p> <p>Establish written attendance policies and procedures consistent with state requirements and provide training to attendance staff to ensure they have a complete understanding of the Districts established policies and procedures. Establish monitoring process to ensure sites are following District established procedures. The District may also consider submitting for approval of an electronic signature process to the California Department of Education to reduce the amount of paper and time utilized during the current attendance process.</p>	<p>Partially Implemented</p>	<p>See Finding 2016-007</p>
<p>Finding 2015-008 Unduplicated Pupil Counts</p> <p>The CalPADS unduplicate pupil counts were certified and submitted without complete information for homeless students within the district. A comparison of 2013-14 homeless students to 2014-15 homeless students showed a decrease of approximately 1,200. We evaluated the Districts complete list of homeless students to the unduplicated pupil counts and identified 316 students that were not otherwise counted on the unduplicated pupil counts in another qualifying category.</p> <p>Implement procedures to ensure data submitted in CalPADS is complete prior to certification and submission.</p>	<p>Implemented</p>	

SAN YSIDRO SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016

Fiscal Year	Finding Number	Finding and Corrective Action Plan		
2016	001	Finding:	The District did not account for the activity for blended component units.	
		Questioned Costs:	CFDA # N/A	Amount N/A
		Status:	In Progress	
		Corrective Action:	The blended component units will be accounted for within the same financial software as other funds of the District.	
		Completion Date:	In Progress as of January 31, 2017	
2016	002	Finding:	Six deposits tested did not contain adequate documentation. Two had supporting records which varied from the financial accounting system and four did not document dual counts.	
		Questioned Costs:	CFDA # N/A	Amount N/A
		Status:	Not In Progress	
		Corrective Action:	No corrective action has been taken, the District does not agree with the finding.	
		Completion Date:	Unknown	
2016	003	Finding:	The District misstated several significant transaction classes which had to be adjusted via audit adjusting journal entry.	
		Questioned Costs:	CFDA # N/A	Amount N/A
		Status:	In Progress	
		Corrective Action:	The District is implementing review procedures and training accounting personnel to ensure accurate reporting.	
		Completion Date:	In Progress as of January 31, 2017.	

Fiscal Year	Finding Number	Finding and Corrective Action Plan		
2016	004	Finding:	The District was unable to provide capital assets records sufficient to meet audit evidence requirements.	
		Questioned Costs:	CFDA # N/A	Amount N/A
		Status:	In Progress	
		Corrective Action:	The District is working on reconciling the capital assets records into one system to ensure accurate reporting.	
		Completion Date:	In Progress as of January 31, 2017	
2016	005	Finding:	The 2015-16 Schoolwide plans were missing one core element required under CFR 34 Sections 200.26 and 200.28.	
		Questioned Costs:	CFDA # 84.010	Amount \$463,274
		Status:	Implemented	
		Corrective Action:	The 2016-17 Schoolwide Plans included the missing core element and were approved on June 23, 2016.	
		Completion Date:	June 23, 2016	
2016	006	Finding:	One employee was incorrectly charged to a federal program.	
		Questioned Costs:	CFDA # 84.027	Amount \$12,089
		Status:	In Progress	
		Corrective Action:	The District is implementing review procedures that ensure salaries and benefits are recorded to correct programs.	
		Completion Date:	In Progress as of January 31, 2017	

Fiscal Year	Finding Number	Finding and Corrective Action Plan		
2016	007	Finding:	The District over-reported ADA by 262.02 at P2 and 350.07 at Annual.	
		Questioned Costs:	CFDA # N/A	Amount \$2,601,755
		Status:	In Progress	
		Corrective Action:	The District intends to dispute this finding.	
		Completion Date:	Unknown	
2016	008	Finding:	Teacher verification of attendance is not being completed timely at one school site.	
		Questioned Costs:	CFDA # N/A	Amount None
		Status:	In Progress	
		Corrective Action:	The District is training sites as to required attendance procedures.	
		Completion Date:	In Progress as of January 31, 2017.	
2016	009	Finding:	Unduplicated Pupil Counts were overstated.	
		Questioned Costs:	CFDA # N/A	Amount \$47,916
		Status:	In Progress	
		Corrective Action:	The District is implementing review procedures over CalPADS reporting to ensure accuracy.	
		Completion Date:	In Progress as of January 31, 2017.	