

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

AUDIT REPORT

JUNE 30, 2017

**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, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Qualified
Building Fund	Unmodified
Bond Interest & Redemption Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Governmental Activities and General Fund

Management did not have a system in place to track capital asset additions and deletions contemporaneously. As a result, data provided by the District regarding capital assets was incomplete. Governmental Accounting Standards Board (GASB) Statement No. 34 requires capital assets to be included in the Governmental Activities. We were unable to obtain sufficient information as to determine accuracy of information included in these financial statements. The effect on the financial statements cannot be reasonably determined. Accordingly we do not express an opinion on it.

Management did not obtain an actuarial study for Other Post Employment Benefits (OPEB). As a result, the liability reported is based on incomplete information. Governmental Accounting Standards Board (GASB) Statement No. 45 requires an actuarial study to be completed biennially in order to calculate OPEB liability for inclusion in Governmental Activities. We were unable to obtain sufficient information to determine accuracy of the OPEB liability included in these financial statements. The effect on the financial statements cannot be reasonably determined. Accordingly we do not express an opinion on it.

Management did not keep inventory records in the general fund. As a result, inventory was misstated by an amount that cannot be determined. Generally Accepted Accounting Principles require adequate records be maintained to reconcile amounts reported in the financial statements. We were unable to obtain sufficient information to determine accuracy of inventory in the general fund. The effect on the financial statements cannot be reasonably determined. Accordingly we do not express an opinion on it.

Qualified Opinions

In our opinion, except for the effect on the financial statements of the matters discussed in the "Basis for Qualified Opinions on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of San Ysidro School District as of June 30, 2017, 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each remaining major fund and the aggregate remaining fund information of San Ysidro School District as of June 30, 2017 and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2016-17 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 February 28, 2018 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.

El Cajon, California
February 28, 2018

SAN YSIDRO SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017
(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

The discussion and analysis of San Ysidro School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report, the District's financial statements and notes to the basic financial statements.

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

FINANCIAL HIGHLIGHTS

- The increase in Local Control Funding Formula (LCFF) sources from 2015-2016 to 2016-2017 was \$2.8 million. The increase is due to the State of California funding some of the LCFF gap because of actual revenues outpacing all forecasts.
- The general fund expenditures increased by \$3.8 million or 7.3% of the previous year amount.
- General Fund revenues and other sources exceeded expenditures and other uses by \$416 thousand, ending the year with available reserves of 2.7%.

Overview of the Financial Statements

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

The Basic Financial Statements

The first two statements are district-wide financial statements, the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the whole School

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using methods similar to those used by private-sector companies. The Statement of Net Position includes all the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes in account all the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2016-2017?"

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Fiduciary Funds

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

FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS

The School District as a Whole

The District's net position was (\$31.3) million at June 30, 2017 and was largely due to the continuing recognition of the Net Pension liability. Of this amount, unrestricted assets were (\$16.5) million. A Comparative analysis of government-wide data is presented in Table 1.

The District's net position decreased \$13.6 million this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 63% of total expenses. The administrative activities of the District accounted for just 7% of total costs. The interest paid on long term debt accounted for 7% of total costs. The remaining 23% was spent in the areas of plant services and other expenses. (See Figure 2)

(Table 1)
Comparative Statement of Net Position

	Governmental Activities	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Assets		
Cash	\$ 47,371,447	\$ 48,012,041
Accounts receivable	1,947,440	2,784,373
Stores inventory	30,322	91,092
Prepaid expenses	8,000	3,000
Capital assets	<u>166,401,850</u>	<u>163,536,407</u>
Total Assets	<u><u>\$ 215,759,059</u></u>	<u><u>\$ 214,426,913</u></u>
 Deferred Outflows of Resources		
Deferred outflows of resources - pensions	<u>\$ 24,279,082</u>	<u>\$ 21,231,354</u>
 Liabilities		
Accounts payable and other current liabilities	7,276,335	5,184,578
Unearned revenue	190,117	12,970
Long-term liabilities	<u>261,647,725</u>	<u>245,099,043</u>
Total liabilities	<u><u>269,114,177</u></u>	<u><u>250,296,591</u></u>
 Deferred Inflows of Resources		
Deferred inflows of resources - pensions	<u>\$ 2,177,716</u>	<u>\$ 3,052,270</u>
 Net Assets		
Net investment in capital assets	(27,633,062)	(41,458,612)
Restricted	12,893,663	36,569,545
Unrestricted	<u>(16,514,353)</u>	<u>(12,801,527)</u>
Total net position	<u><u>\$ (31,253,752)</u></u>	<u><u>\$ (17,690,594)</u></u>

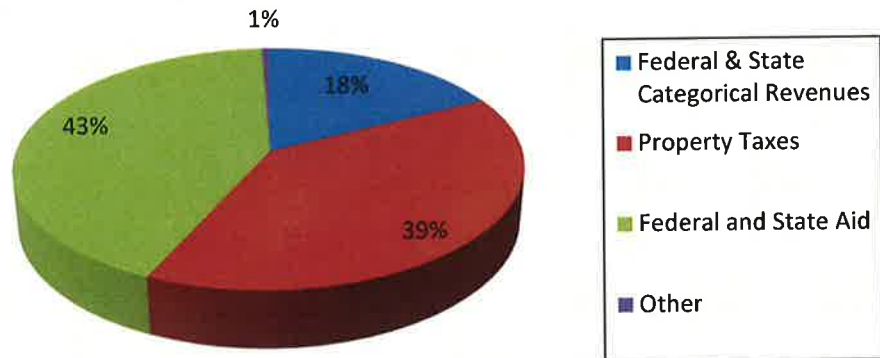
(Table 2)
Comparative Statement of Change in Net Position

	Governmental Activities	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Revenues		
Program revenues	\$ 12,308,433	\$ 14,484,882
General revenues		
Taxes levied for general purposes	18,112,504	15,837,487
Taxes levied for debt service	5,497,704	8,590,568
Taxes levied for other specific purposes	3,223,491	321,728
Federal and state aid not restricted to specific purposes	29,246,226	32,876,362
Interest and investment earnings	162,035	64,444
Miscellaneous	210,917	1,577,416
Total Revenues	<u>\$ 68,761,310</u>	<u>\$ 73,752,887</u>
Expenses		
Instruction	38,681,363	36,135,574
Instruction related services	5,714,064	4,669,384
Pupil support services	7,434,656	6,816,533
General administration	5,860,443	8,553,759
Plant services	6,692,860	5,452,179
Interest on long-term debt	12,062,521	8,215,259
Other	5,878,561	5,297,725
Total Expenses	<u>82,324,468</u>	<u>75,140,413</u>
Increase (Decrease) in net position	<u>\$ (13,563,158)</u>	<u>\$ (1,387,526)</u>

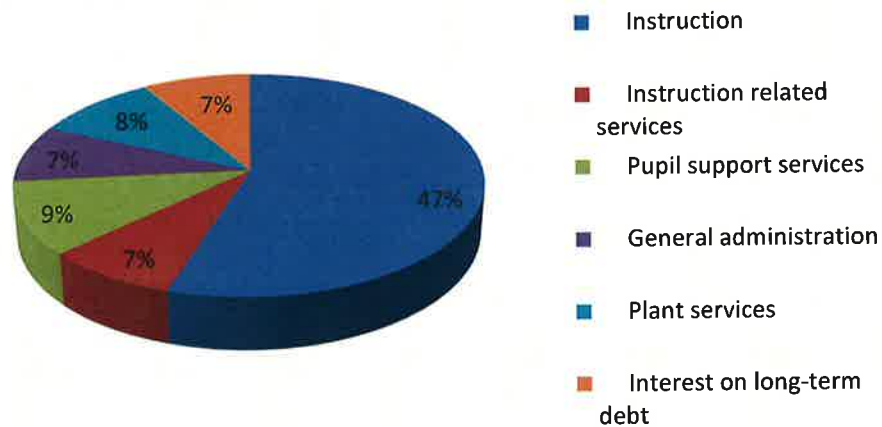
GOVERNMENTAL ACTIVITIES

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$82.3 million. The amount that our local taxpayers financed for these activities through property taxes was \$26.8 million. Federal and State aid not restricted to specific purposes totaled \$29.2 million. Operating grants and contributions revenue \$11.3 million, and covered 14% of the expenses of the entire District (See Figure 1).

**Sources of Revenue for the 2016-2017
Fiscal Year - Figure 1**



Expenses for the 2016-2017 Fiscal Year - Figure 2



FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of \$43.0 million, an decrease of \$3.9 million from the previous fiscal year's combined ending balance of \$46.9 million.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget monthly. The significant budget adjustments fell into the following categories:

- Budget revisions to the adopted budget required after approval of the State budget
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.
- An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund (or its equivalent). The analysis should include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity

The final revised budget for the General Fund reflected a net decrease to the ending balance of \$998 thousand.

The District ended the year with a \$2.40 million addition to the general fund ending balance. The State recommends available reserves of 3% of District expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

(Table 3)
Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>Net \$ Change</u>	<u>Net % Change</u>
Land	\$ 45,896,267	\$ 45,896,267	\$ 0	0.0%
Site Improvements	18,042,631	18,042,631	0	0.0%
Buildings	119,784,685	119,784,685	0	0.0%
Equipment	4,358,214	4,358,214	0	0.0%
Work in progress	<u>25,042,008</u>	<u>17,546,471</u>	<u>7,495,537</u>	<u>42.7%</u>
Total	<u>\$ 213,123,805</u>	<u>\$ 205,628,268</u>	<u>\$ 7,495,537</u>	<u>42.7%</u>

Long-Term Debt

At June 30, 2017 the District had \$262 million in long-term debt outstanding.

(Table 2)
Comparative Schedule of Outstanding Debt
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
General Obligation Bonds	\$ 168,617,375	\$ 164,336,533
Certificates of Participation Payable	38,749,544	39,136,706
Capital Lease Obligation	1,988,254	0
Other General Long Term Debt	1,268,150	1,521,780
Net Pension liability	46,829,594	36,781,177
Net OPEB liability	3,759,687	3,015,153
Compensated Absences	<u>435,121</u>	<u>307,694</u>
Total	<u>\$ 261,647,725</u>	<u>\$ 245,099,043</u>

FACTORS BEARING ON THE DISTRICT

The State's economic downturns and surpluses impact the District's future dramatically. The financial well-being of the District is tied in large measure to the state funding formula which is currently not funding district at 100%.

Student enrollment and attendance are primary factors in the computation of most funding formulae for public schools in the State of California. While ADA growth is not budgeted until realized in the fall, future growth potential is there, but attendance remains the focal point of every budget report.

Predicting the future requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District currently maximizes restricted funds prior to utilizing unrestricted revenues in the budget development process. In addition, personnel practices will evidence early and effective intervention in identifying appropriate personnel actions that need to occur early in future school years experiencing State economic fallout. The District has an excellent track record in meeting this challenge in what has proven to be a long cycle of lean years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

SAN YSIDRO SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash	\$ 47,371,447
Receivables	1,947,440
Stores	30,322
Prepaid Expenses	8,000
Capital Assets:	
Land	45,896,267
Improvements	18,042,631
Buildings	119,784,685
Equipment	4,358,214
Work in Progress	25,042,008
Less Accumulated Depreciation	(46,721,955)
Total Assets	<u>215,759,059</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>24,279,082</u>
LIABILITIES	
Accounts Payable and Other Current Liabilities	7,276,335
Unearned Revenue	190,117
Long-Term Liabilities:	
Due Within One Year	4,894,208
Due in More Than One Year	256,753,517
Total Liabilities	<u>269,114,177</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,177,716</u>
NET POSITION	
Net Investment in Capital Assets	(27,633,062)
Restricted for:	
Capital Projects	4,863,582
Debt Service	5,771,750
Educational Programs	533,217
Other Purposes (Expendable)	1,679,559
Other Purposes (Nonexpendable)	45,555
Unrestricted	(16,514,353)
Total Net Position	<u>\$ (31,253,752)</u>

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 38,681,363	\$ 80,379	\$ 5,721,111	\$ -	\$ (32,879,873)
Instruction-Related Services:					
Instructional Supervision and Administration	1,359,931	5	412,284	-	(947,642)
Instructional Library, Media and Technology	846,879	-	225,948	-	(620,931)
School Site Administration	3,507,254	-	192,154	-	(3,315,100)
Pupil Services:					
Home-to-School Transportation	1,022,951	-	-	-	(1,022,951)
Food Services	2,727,442	5,097	2,084,538	-	(637,807)
All Other Pupil Services	3,684,263	7,534	635,109	-	(3,041,620)
General Administration:					
Centralized Data Processing	824,933	-	179	-	(824,754)
All Other General Administration	5,035,510	1,803	124,385	-	(4,909,322)
Plant Services	6,692,860	442,359	1,314,475	-	(4,936,026)
Ancillary Services	529,250	-	-	-	(529,250)
Interest on Long-Term Debt	12,062,521	-	-	-	(12,062,521)
Other Outgo - Transfers Between Agencies	357,716	499,010	562,063	-	703,357
Other Outgo - Debt Issuance Costs	361,501	-	-	-	(361,501)
Depreciation (Unallocated)*	4,630,094	-	-	-	(4,630,094)
Total Expenses	\$ 82,324,468	\$ 1,036,187	\$ 11,272,246	\$ -	\$ (70,016,035)
General Revenues:					
Taxes and Subventions:					
Taxes Levied for General Purposes					\$ 18,112,504
Taxes Levied for Debt Service					5,497,704
Taxes Levied for Other Specific Purposes					3,223,491
Federal and State Aid Not Restricted to Specific Programs					29,246,226
Interest and Investment Earnings					162,035
Miscellaneous					210,917
Total General Revenues					\$ 56,452,877
Change in Net Position					(13,563,158)
Net Position Beginning					(17,690,594)
Net Position Ending					\$ (31,253,752)

*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, 2017

	General Fund	Building Fund
ASSETS:		
Cash in County Treasury	\$ 18,112,695	\$ 16,534,311
Cash on Hand and in Banks	24,415	-
Cash in Revolving Fund	7,233	-
Cash with a Fiscal Agent/Trustee	1,995,941	-
Accounts Receivable	285,422	54,100
Due from Grantor Governments	1,036,056	-
Due from Other Funds	200,000	-
Stores Inventories	-	-
Prepaid Expenditures	8,000	-
Total Assets	<u>21,669,762</u>	<u>16,588,411</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 5,930,649	\$ -
Due to Other Funds	-	-
Unearned Revenue	101,135	-
Total Liabilities	<u>6,031,784</u>	<u>-</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	7,233	-
Stores Inventories	-	-
Prepaid Items	8,000	-
Restricted Fund Balances	2,620,857	16,588,411
Unassigned:		
Reserve for Economic Uncertainty	1,664,935	-
Other Unassigned	11,336,953	-
Total Fund Balance	<u>15,637,978</u>	<u>16,588,411</u>
Total Liabilities and Fund Balances	<u>\$ 21,669,762</u>	<u>\$ 16,588,411</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
\$ 5,771,750	\$ 4,628,684	\$ 45,047,440
-	242,558	266,973
-	-	7,233
-	53,860	2,049,801
-	165,261	504,783
-	406,601	1,442,657
-	-	200,000
-	30,322	30,322
-	-	8,000
<u>5,771,750</u>	<u>5,527,286</u>	<u>49,557,209</u>
\$ -	\$ 191,886	\$ 6,122,535
-	200,000	200,000
-	88,982	190,117
<u>-</u>	<u>480,868</u>	<u>6,512,652</u>
-	-	7,233
-	30,322	30,322
-	-	8,000
5,771,750	5,016,096	29,997,114
-	-	1,664,935
-	-	11,336,953
<u>5,771,750</u>	<u>5,046,418</u>	<u>43,044,557</u>
\$ <u>5,771,750</u>	\$ <u>5,527,286</u>	\$ <u>49,557,209</u>

SAN YSIDRO SCHOOL DISTRICT
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total fund balances - governmental funds balance sheet \$ 43,044,557

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	213,123,805	
Accumulated depreciation	(46,721,955)	
Net		166,401,850

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: 1,151,757

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was: (1,153,800)

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	168,617,375	
Certificates of participation payable	38,749,544	
Capital leases payable	1,988,254	
Other general long term debt	1,268,150	
Net pension liability	46,829,594	
Net OPEB obligation payable	3,759,687	
Compensated absences payable	435,121	
Total		(261,647,725)

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	8,866,095
Deferred inflows of resources relating to pensions	(2,177,716)

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: 14,261,230

Net position of governmental activities - statement of net position \$ (31,253,752)

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Building Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 21,215,357	\$ -
Education Protection Account Funds	6,106,766	-
Local Sources	18,112,506	-
Federal Revenue	2,280,316	-
Other State Revenue	4,640,760	-
Other Local Revenue	3,558,012	213,114
Total Revenues	<u>55,913,717</u>	<u>213,114</u>
Expenditures:		
Current:		
Instruction	33,511,897	-
Instruction - Related Services	4,790,951	-
Pupil Services	4,169,764	-
Ancillary Services	529,250	-
General Administration	5,317,887	-
Plant Services	5,680,673	529,486
Other Outgo	357,717	-
Capital Outlay	1,139,710	6,285,706
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	<u>55,497,849</u>	<u>6,815,192</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>415,868</u>	<u>(6,602,078)</u>
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	-	-
Other Sources	1,988,254	-
Total Other Financing Sources (Uses)	<u>1,988,254</u>	<u>-</u>
Net Change in Fund Balance	2,404,122	(6,602,078)
Fund Balance, July 1	13,233,856	23,190,489
Fund Balance, June 30	<u>\$ 15,637,978</u>	<u>\$ 16,588,411</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 21,215,357
-	-	6,106,766
-	-	18,112,506
18,680	2,156,230	4,436,546
5,508,902	1,170,735	5,830,175
<u>5,527,582</u>	<u>3,779,929</u>	<u>13,059,957</u>
	<u>7,106,894</u>	<u>68,761,307</u>
-	867,529	34,379,426
-	265,604	5,056,555
-	2,633,673	6,803,437
-	-	529,250
-	137,631	5,455,518
-	98,051	6,308,210
-	303,196	660,913
-	55,526	7,480,942
4,005,000	7,868,630	11,873,630
1,460,144	1,766,446	3,226,590
<u>5,465,144</u>	<u>13,996,286</u>	<u>81,774,471</u>
62,438	(6,889,392)	(13,013,164)
-	2,877,636	2,877,636
-	(2,877,636)	(2,877,636)
-	7,212,671	9,200,925
<u>-</u>	<u>7,212,671</u>	<u>9,200,925</u>
62,438	323,279	(3,812,239)
5,709,312	4,723,139	46,856,796
<u>\$ 5,771,750</u>	<u>\$ 5,046,418</u>	<u>\$ 43,044,557</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, 2017**

Net change in fund balances - total governmental funds \$ (3,812,239)

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	7,495,537	
Depreciation Expense	(4,630,094)	
Net		2,865,443

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:

11,873,630

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:

(9,200,925)

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	50,429	
Prepaid debt insurance amortized	(108,735)	
Net		(58,306)

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:

(8,514,177)

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:

(127,427)

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:

(5,522,874)

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:

(744,534)

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:

(321,749)

Change in net position of governmental activities - statement of activities

\$ (13,563,158)

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Agency Fund	Student Body Fund
ASSETS:		
Cash on Hand and in Banks	\$ 23,368	
Total Assets	23,368	
LIABILITIES:		
Due to Student Groups	\$ 23,368	
Total Liabilities	23,368	
NET POSITION:		
Total Net Position	\$ -	

The accompanying notes are an integral part of this statement.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

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

Manifestations of Oversight

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

Accounting for Fiscal Matters

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

Scope of Public Service and Financial Presentation

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

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

The District reports the following major governmental funds:

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

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

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

In addition, the District reports the following fund types:

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

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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

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

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, 2017

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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

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

b. Expenses/Expenditures

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

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, 2017

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, 2017

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 convey 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, 2017

7. Deferred Inflows and Deferred Outflows of Resources

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

8. Pensions

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

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

Valuation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

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.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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10. Change in Accounting Policies

In previous years the District accounted for inventory in the general fund. During the 2016-17 fiscal year the district eliminated inventory from the general fund and expensed all items when purchased.

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2017. Those newly implemented pronouncements are as follows:

GASB 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 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 scope of this Statement includes OPEB plans—defined benefit and defined contribution - administered through trusts that meet the following criteria:

1. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
2. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
3. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The District does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 77 - Tax Abatement Disclosures

The objective of this Statement is to improve usefulness of information about tax abatement agreements entered into by governmental agencies. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

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

1. 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

SAN YSIDRO SCHOOL DISTRICT
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taxes, and the types of commitments made by tax abatement recipients.

2. The gross dollar amount of taxes abated during the period
3. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has not entered into any tax abatement agreements. As a result, the adoption of GASB Statement No. 77 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 80 - Blending Requirements for Certain Component Units

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 did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 82 - Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 82.

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YEAR ENDED JUNE 30, 2017

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 (\$45,047,440 as of June 30, 2017). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$45,047,440. 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 (\$290,341 as of June 30, 2017) and in the revolving fund (\$7,233) are insured up to \$250,000 by the Federal Depository Insurance Corporation.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

3. Investments:

The District's investments at June 30, 2017 are shown below.

Investment or Investment Type	Average Days to Maturity	Amount Reported	Fair Value
U.S. Treasury Obligations	<30 Days	\$ 53,860	\$ 53,860
Money Market Funds	<30 Days	1,995,941	1,995,941
Total Investments		\$ 2,049,801	\$ 2,049,801

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 District was not exposed to credit risk.

SAN YSIDRO SCHOOL DISTRICT
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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.

As of June 30, 2017, the District's bank balances (including revolving cash) of \$84,661 was exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

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.

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

D. Accounts Receivable

As of June 30, 2017, Accounts Receivable consisted of:

	<u>Major Governmental Funds</u>		<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Building Fund</u>		
Federal Government				
Title I	\$ 41,466	\$ -	\$ -	\$ 41,466
Special Education	289,714	-	-	289,714
Federal Preschool	17,220	-	19,637	36,857
Title II	57,575	-	-	57,575
Child Nutrition	-	-	144,054	144,054
Other Federal Programs	12,045	-	-	12,045
State Government				
Lottery	484,099	-	-	484,099
Special Education	84,024	-	-	84,024
Child Nutrition	-	-	19,746	19,746
Other State Programs	94,279	-	156,236	250,515
Local Sources				
Interest	57,076	54,100	163,864	275,040
Other Local Sources	183,980	-	68,325	252,305
Total	\$ 1,321,478	\$ 54,100	\$ 571,862	\$ 1,947,440

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

E. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 45,896,267	\$ -	\$ -	\$ 45,896,267
Work in progress	17,546,471	7,495,537	-	25,042,008
Total capital assets not being depreciated	63,442,738	7,495,537	-	70,938,275
Capital assets being depreciated:				
Buildings	119,784,685	-	-	119,784,685
Improvements	18,042,631	-	-	18,042,631
Equipment	4,358,214	-	-	4,358,214
Total capital assets being depreciated	142,185,530	-	-	142,185,530
Less accumulated depreciation for:				
Buildings	(29,298,406)	(3,361,425)	-	(32,659,831)
Improvements	(9,277,416)	(1,078,696)	-	(10,356,112)
Equipment	(3,516,039)	(189,973)	-	(3,706,012)
Total accumulated depreciation	(42,091,861)	(4,630,094)	-	(46,721,955)
Total capital assets being depreciated, net	100,093,669	(4,630,094)	-	95,463,575
Governmental activities capital assets, net	\$ 163,536,407	\$ 2,865,443	\$ -	\$ 166,401,850

Depreciation was charged to functions as follows:

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

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2017, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 200,000	Temporary loan
	Total	<u>\$ 200,000</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2017, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Other Governmental Funds	Other Governmental Funds	\$ 2,877,636	Debt service payments
	Total	<u>\$ 2,877,636</u>	

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

G. Accounts Payable

As of June 30, 2017, accounts payable consisted of:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	\$ 295,201	\$ 128,743	\$ 423,944
LCFF Overpayment	5,250,938	-	5,250,938
Payroll and related liabilities	55,907	46,407	102,314
Pension related liabilities	328,603	16,736	345,339
Total	<u>\$ 5,930,649</u>	<u>\$ 191,886</u>	<u>\$ 6,122,535</u>

As a result of an overstatement of average daily attendance (ADA) in the 2015-16 fiscal year, the District was overpaid LCFF state apportionments for both the 2015-16 and 2016-17 fiscal years. The District has entered into an agreement with the California Department of Education to repay the 2015-16 overpayment over four years. The District has established an accounts payable item for the 2016-17 overpayment; however, the state will not invoice the District until the audit report has been accepted. The District intends to negotiate for a repayment plan similar to the plan agreed upon for the 2015-16 overpayment.

H. Unearned Revenue

As of June 30, 2017, unearned revenue consisted of:

	General Fund	Nonmajor Governmental Funds	Total
Federal Government			
Title II	\$ 56,886	\$ -	\$ 56,886
Title III	44,249	-	44,249
Child Nutrition Equipment Assistance	-	79,200	79,200
Child Nutrition Team Nutrition Grant	-	9,782	9,782
Total	<u>\$ 101,135</u>	<u>\$ 88,982</u>	<u>\$ 190,117</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, 2017

J. Components of Ending Fund Balance

As of June 30, 2017, components of ending fund balance were:

	Major Governmental Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund	Bond Interest & Redemption Fund		
Nonspendable Fund Balances					
Revolving Cash	\$ 7,233	\$ -	\$ -	\$ -	\$ 7,233
Stores Inventories	-	-	-	-	-
Prepaid Expenses	8,000	-	-	-	8,000
Total Nonspendable	15,233	-	-	-	15,233
Restricted Fund Balances					
Educational Programs	533,217	-	-	-	533,217
Capital Projects	408,081	16,588,411	-	4,455,501	21,451,993
Debt Service	-	-	5,771,750	-	5,771,750
Medi-Cal	107,549	-	-	-	107,549
Child Nutrition Program	-	-	-	417,933	417,933
Other Restrictions	1,572,010	-	-	142,662	1,714,672
Total Restricted	2,620,857	16,588,411	5,771,750	5,016,096	29,997,114
Unassigned Fund Balances					
For Economic Uncertainty	1,664,935	-	-	-	1,664,935
Other Unassigned	11,336,953	-	-	-	11,336,953
Total Unassigned	13,001,888	-	-	-	13,001,888
Total Fund Balance	\$ 15,637,978	\$ 16,588,411	\$ 5,771,750	\$ 5,016,096	\$ 43,014,235

K. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 164,336,533	\$ 8,449,110	\$ 4,168,268	\$ 168,617,375	2,949,726
Capital leases	-	1,988,254	-	1,988,254	152,554
Certificates of participation	39,136,706	7,287,778	7,674,940	38,749,544	1,103,177
Other general long term debt	1,521,780	-	253,630	1,268,150	253,630
Net OPEB obligation	3,015,153	1,027,787	283,253	3,759,687	-
Net pension liability	36,781,175	10,048,419	-	46,829,594	-
Compensated absences *	307,694	127,427	-	435,121	435,121
Total governmental activities	\$ 245,099,041	\$ 28,928,775	\$ 12,380,091	\$ 261,647,725	\$ 4,894,208

* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General Fund

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

2. Capital Leases

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

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2017, as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 152,554	\$ 96,278	\$ 248,832
2019	190,835	57,997	248,832
2020	197,073	51,759	248,832
2021	203,517	45,315	248,832
2022	210,170	38,662	248,832
2023-2027	1,034,105	85,639	1,119,744
Totals	<u>\$ 1,988,254</u>	<u>\$ 375,650</u>	<u>\$ 2,363,904</u>

3. General Obligation Bonds

General obligation bonds as of June 30, 2017, consisted of:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
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>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
1997 Election Series D	\$ 16,384,363	\$ -	\$ -	\$ 16,384,363
1997-D Bond Premium	274,750	-	19,625	255,125
1997-D Accreted Interest	12,146,470	1,477,775	-	13,624,245
1997 Election Series E	15,962,741	-	845,000	15,117,741
1997-E Bond Premium	172,374	-	9,125	163,249
1997-E Accreted Interest	7,359,444	1,133,499	-	8,492,943
1997 Election Series F	580,702	-	-	580,702
1997-F Bond Premium	75,294	-	-	75,294
1997-F Accreted Interest	364,761	105,917	-	470,678
1997 Election Series G	28,990,884	-	-	28,990,884
1997-G Bond Premium	799,997	-	30,770	769,227
1997-G Accreted Interest	6,629,342	2,060,472	-	8,689,814
2012 Refunding Bonds	24,595,000	-	3,160,000	21,435,000
2012 Bond Premium	1,452,472	-	103,748	1,348,724
2015 Refunding Bonds	45,358,442	-	-	45,358,442
2015 Bond Premium	1,334,547	-	-	1,334,547
2015 Accreted Interest	1,854,950	3,671,447	-	5,526,397

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Total GO Bonds	\$ 164,336,533	\$ 8,449,110	\$ 4,168,268	\$ 168,617,375
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The annual requirements to amortize the bonds outstanding at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total
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	4,862,218	875,869	1,292,782	7,030,869
2023-2027	24,719,838	2,258,087	13,690,162	40,668,087
2028-2032	17,647,066	204,634	33,517,934	51,369,634
2033-2037	17,343,645	-	44,496,355	61,840,000
2038-2042	15,072,101	-	63,862,899	78,935,000
2043-2047	22,851,789	-	83,328,211	106,180,000
2048-2052	8,781,653	-	41,603,347	50,385,000
Totals	\$ 127,867,132	\$ 7,833,466	\$ 285,522,868	\$ 421,223,466

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

4. Certificates of Participation (COPs)

Certificates of Participation (COPs) as of June 30, 2017, consisted of:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2007 COPs	11/29/2007	3.50 - 4.75%	09/01/2037	\$ 7,330,000
2012 COPs	01/31/2012	2.00 - 6.20%	09/01/2041	10,409,715
2015 Refunding COPs	08/18/2015	1.75 - 5.00%	09/01/2034	21,585,000
2016 Refunding COPs	09/29/2016	2.00 - 4.00%	09/01/2035	6,505,000
Total COPs				\$ 45,829,715
	Beginning Balance	Increases	Decreases	Ending Balance
2007 COPs	\$ 6,840,000	\$ -	\$ 6,735,000	\$ 105,000
2007 COPs Premium	572	-	572	-
2012 COPs	10,214,715	-	40,000	10,174,715
2012 COPs Discount	(33,645)	-	(1,295)	(32,350)
2012 COPs Accreted Interest	263,262	75,107	-	338,369
2015 Refunding COPs	20,380,000	-	840,000	19,540,000
2015 COPs Premium	1,471,802	-	60,663	1,411,139
2016 Refunding COPs	-	6,505,000	-	6,505,000
2016 COPs Premium	-	707,671	-	707,671
Total COPs	\$ 39,136,706	\$ 7,287,778	\$ 7,674,940	\$ 38,749,544

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

The annual requirements to amortize the COPs outstanding at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total
2018	\$ 1,090,000	\$ 1,454,701	\$ -	\$ 2,544,701
2019	1,165,000	1,416,731	-	2,581,731
2020	1,225,000	1,372,831	-	2,597,831
2021	1,325,000	1,337,825	-	2,662,825
2022	1,415,000	1,310,382	-	2,725,382
2023-2027	8,280,000	5,778,102	-	14,058,102
2028-2032	9,375,000	4,463,028	-	13,838,028
2033-2037	9,675,000	2,257,025	-	11,932,025
2038-2042	3,059,715	567,685	1,335,285	4,962,685
Totals	<u>\$ 36,609,715</u>	<u>\$ 19,958,310</u>	<u>\$ 1,335,285</u>	<u>\$ 57,903,310</u>

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

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

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

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

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

5. Other General Long Term Debt

Other general long term debt as of June 30, 2017, consisted of:

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

	Beginning Balance	Increases	Decreases	Ending Balance
QZAB Bonds	\$ 1,521,780	\$ -	\$ 253,630	\$ 1,268,150
Total Other GLTD	<u>\$ 1,521,780</u>	<u>\$ -</u>	<u>\$ 253,630</u>	<u>\$ 1,268,150</u>

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

Year Ending June 30,	Principal	Interest	Accreted Interest	Total
2018	\$ 253,630	\$ -	\$ -	\$ 253,630
2019	253,630	-	-	253,630
2020	253,630	-	-	253,630
2021	253,630	-	-	253,630
2022	253,630	-	-	253,630
Totals	<u>\$ 1,268,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,268,150</u>

On October 14, 2005, the District issued \$5,000,000 in Qualified Zone Academy Bonds (QZABs) to provide funds to finance certain capital improvements, equipment and other educational development programs of the District. The District is required to make a scheduled deposit of \$253,630 each year through the maturity date of October 27, 2021. Accumulated interest earned on the account provides the additional funding required to pay the bonds in full upon maturity. The escrow account accrues interest at a fixed rate of 5.51%. As of June 30, 2017 the escrow account carried an accrued balance of \$3,276,831. The District does not have a legal right to claim cash in the escrow account and is not obligated to make payments in excess of the scheduled deposit amounts.

6. Debt Issue Premium or Discount

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

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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

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

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

	COPS 2007	COPS 2012	COPS 2015	COPS 2016
Total Interest	\$ 7,118,495	\$ 10,853,144	\$ 9,324,060	\$ 3,376,150
Less Premium	(930)	-	(1,558,824)	(707,671)
Plus Discount	-	39,620	-	-
Net Interest	<u>7,117,565</u>	<u>10,892,764</u>	<u>7,765,236</u>	<u>2,668,479</u>
Par Amount of COPs	\$ 7,330,000	\$ 10,409,715	\$ 21,585,000	\$ 6,505,000
Periods	30	30	20	21
Effective Interest Rate	3.24%	3.49%	1.80%	1.95%

7. Refunding Certificates of Participation

On September 29, 2016 the district issued refunding certificates of participation for a refunding of 2007 COPS. The refunding resulted in an economic gain as follows:

Dated Date	09/29/16
Delivery Date	09/29/16
Arbitrage Yield	2.536873%
Escrow Yield	0.548846%
COPs Par Amount	\$ 6,505,000
Par Amount of Refunded COPs	6,640,000
Average coupon of refunded COPs	4.652963%
Average life of refunded COPs	14
Prior Debt Payments	10,967,341
New Debt Payments	9,862,689
Savings	1,104,652
Discount to Present Value @ 2.5368725%	(252,230)
Net Present Value Savings	<u>\$ 852,422</u>

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

L. 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, 2017 is as follows:

	SDCSRM (Unaudited) June 30, 2017	FBC (Unaudited) June 30, 2017	Total (Unaudited) June 30, 2017
Total Assets and Deferred Outflows of Resources	\$ 1,909,033	\$ 162,505	\$ 2,071,538
Total Liabilities and Deferred Inflows of Resources	1,192,217	23,280	1,215,497
Total Fund Balance	<u>\$ 716,816</u>	<u>\$ 139,225</u>	<u>\$ 856,041</u>
Total Revenues	\$ 21,370	\$ 184,338	\$ 205,708
Total Expenses	368,105	162,446	530,551
Net Change in Fund Balance	<u>\$ (346,735)</u>	<u>\$ 21,892</u>	<u>\$ (324,843)</u>

M. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

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

b. Benefits Provided

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The Plans' provisions and benefits in effect at June 30, 2017 are summarized as follows:

	CalSTRS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date		
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	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, 2017)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2017)	12.580%	12.580%
Required State Contribution Rates (at June 30, 2017)	7.050%	7.050%

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

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

	CalPERS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1- 2.5%	1.0- 2.5%
Required Employee Contribution Rates (at June 30, 2017)	7.000%	6.000%
Required Employer Contribution Rates (at June 30, 2017)	13.888%	13.888%

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

c. Contributions

CalSTRS

For the measurement period ended June 30, 2016 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 9.20% (if hired prior to January 1, 2013) or 8.56% (if hired on or after January 1, 2013) of the creditable compensation upon which members' contributions under this part are based (rates increased to 10.25% and 9.205% for fiscal year ended June 30, 2017). In addition the employer required rates established by the CalSTRS Board have been established at 10.73% of creditable compensation for the measurement period ended June 30, 2016 and 12.58% for the fiscal year ended June 30, 2017. 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.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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, 2016 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.847% of annual payroll. For the fiscal year ending June 30, 2017, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 13.888%.

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, 2016 (measurement date) the State contributed 6.770% 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. Contribution reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

On Behalf Payments reported by the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2015	5.679%	1,093,729
2016	7.126%	1,335,402
2017	6.770%	1,258,405

d. Contributions Recognized

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Contributions - Employer (Measurement Period)	\$ 2,210,515	\$ 965,541	\$ 3,176,056
Contributions - State On Behalf Payments (Fiscal Year)	1,258,405	-	1,258,405
Total Contributions	<u>\$ 3,468,920</u>	<u>\$ 965,541</u>	<u>\$ 4,434,461</u>

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

As of June 30, 2017, 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	\$ 33,537,343
CalPERS	13,292,253
Total Net Pension Liability	<u>\$ 46,829,596</u>

SAN YSIDRO SCHOOL DISTRICT
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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, 2016, 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, 2015 rolled forward to June 30, 2016 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, 2016 and June 30, 2017 were as follows:

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	
Proportion June 30, 2016	0.0415%	0.0267%	0.0682%	0.0598%
Proportion June 30, 2017	0.0415%	0.0250%	0.0665%	0.0673%
Change in Proportion	-0.0001%	-0.0017%	-0.0018%	0.0075%

a. **Pension Expense**

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ 5,571,811	\$ 4,476,608	\$ 10,048,419
Contributions - State On Behalf Payments	1,258,405	-	1,258,405
Increase/(Decrease) resulting from changes in Deferred Outflows and Deferred Inflows of Resources for:			
Contributions - Employer made subsequent to measurement date	(564,533)	(327,479)	(892,012)
Difference Between Actual & Expected Experience	(2,862)	(79,911)	(82,773)
Change in Assumptions	-	(145,687)	(145,687)
Change in Proportionate Shares	(63,322)	(939,400)	(1,002,722)
Net Difference Between Projected & Actual Earnings	(3,998)	(2,398,353)	(2,402,351)
Total Pension Expense	\$ 6,195,501	\$ 585,778	\$ 6,781,279

b. **Deferred Outflows and Inflows of Resources**

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 2,797,444	\$ 1,314,315	\$ 4,111,759
Differences between actual and expected experience	-	621,960	621,960
Changes in assumptions	-	-	-
Change in employer's proportion share	-	883,829	883,829
Net difference between projected and actual earnings	9,430	3,239,117	3,248,547
Total Deferred Outflows of Resources	\$ 2,806,874	\$ 6,059,221	\$ 8,866,095

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (10,673)	\$ -	\$ (10,673)
Changes in assumptions	-	(437,062)	(437,062)
Change in employer's proportionate share	(349,044)	(166,712)	(515,756)
Net difference between projected and actual earnings	-	(1,214,225)	(1,214,225)
Total Deferred Inflows of Resources	<u>\$ (359,717)</u>	<u>\$ (1,817,999)</u>	<u>\$ (2,177,716)</u>

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2018. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2018	\$ 2,800,141	\$ 2,624,912	\$ (117,025)	\$ (808,371)	\$ 4,499,657
2019	2,697	1,310,597	(117,024)	(808,370)	387,900
2020	2,697	1,310,598	(115,503)	(201,258)	996,534
2021	1,339	813,114	(10,165)	-	804,288
Total	<u>\$ 2,806,874</u>	<u>\$ 6,059,221</u>	<u>\$ (359,717)</u>	<u>\$ (1,817,999)</u>	<u>\$ 6,688,379</u>

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.0%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05%-5.6% (1)	3.20%-10.80% (1)
Investment Rate of Return	7.60% (2)	7.65% (2)
Mortality	.013%-0.435% (3)	0.00125-0.45905 (3)

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

d. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.65% 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.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

The CalPERS discount rate was increased from 7.50% in 2015 to correct for an adjustment to exclude administrative expenses. There have been no other changes to discount rate for either CalPERS or CalSTRS.

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.

The tables 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	Assumed Allocation 06/30/2016	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

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

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

CalPERS

Asset Class	Assumed Allocation 06/30/2016	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

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

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

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

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

	<u>CalSTRS</u>	<u>CalPERS</u>
1% Decrease	6.60%	6.65%
Net Pension Liability	\$ 48,267,799	\$ 19,832,116
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 33,537,341	\$ 13,292,253
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 21,303,081	\$ 7,846,531

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

f. 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, 2016 (Previously Reported)	\$ 176,838,236	\$ 130,897,221	\$ 45,941,015	\$ 17,975,485	\$ 27,965,530
Changes for the year:					
Change in Proportionate share	(4,596,839)	(3,402,621)	(1,194,218)	(1,144,507)	(49,711)
Service Cost	3,904,151	-	3,904,151	1,468,500	2,435,651
Interest	12,849,002	-	12,849,002	4,833,000	8,016,002
Differences between expected and actual experience	(803,561)	-	(803,561)	(302,250)	(501,311)
Contributions:					
Employer	-	2,253,922	(2,253,922)	(847,786)	(1,406,136)
Employee	-	1,965,683	(1,965,683)	(739,368)	(1,226,315)
State On Behalf Payments	-	1,289,354	(1,289,354)	(484,975)	(804,379)
Net Investment Income	-	1,531,989	(1,531,989)	(576,240)	(955,749)
Other Income	-	27,596	(27,596)	(10,380)	(17,216)
Benefit Payments, including refunds of employee contributions	(8,739,181)	(8,739,181)	-	-	-
Administrative expenses	-	(119,674)	119,674	45,014	74,660
Other Expenses	-	(10,123)	10,123	3,808	6,315
Net Changes	2,613,572	(5,203,055)	7,816,627	2,244,816	5,571,811
Balance at June 30, 2017	\$ 179,451,808	\$ 125,694,166	\$ 53,757,642	\$ 20,220,301	\$ 33,537,341

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016 (Previously Reported)	\$ 42,852,578	\$ 34,036,933	\$ 8,815,645
Changes for the year:			
Adjustment for Change in Proportionate Share	5,370,331	4,265,545	1,104,786
Service Cost	1,155,364	-	1,155,364
Interest	3,662,538	-	3,662,538
Differences between expected and actual experience	269,279	-	269,279
Changes in Assumptions	-	-	-
Contributions - Employer	-	965,541	(965,541)
Contributions - Employee	-	572,833	(572,833)
Net Plan to Plan Resource Movement	-	7	(7)
Net Investment Income	-	200,234	(200,234)
Benefit Payments, including refunds of employee contributions	(2,387,104)	(2,387,104)	-
Administrative expenses	-	(23,256)	23,256
Net Changes	8,070,408	3,593,800	4,476,608
Balance at June 30, 2017	\$ 50,922,986	\$ 37,630,733	\$ 13,292,253

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

N. 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, 2017

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
2016-17	1,027,787	28%	3,759,687

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 is as follows:

Annual required contribution	\$ 877,029
Interest on net OPEB obligation	150,758
Adjustment to annual required contribution	-
Annual OPEB Cost	1,027,787
Contributions made	(283,253)
Increase in OPEB obligation	744,534
Net OPEB obligation, beginning of year	3,015,153
Net OPEB obligation, end of year	\$ 3,759,687

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.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

Actuarial Methods and Assumptions

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

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

O. Deferred Outflows of Resources

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

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

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

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

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

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

A summary of the deferred outflows of resources as of June 30, 2017 is as follows:

Description	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
2012 Loss on Refunding Bond	\$ 1,746,472	\$ -	\$ 124,748	\$ 1,621,724
2015 Loss on Refunding Bond	11,964,289	-	362,555	11,601,734
2015 Loss on Refunding COPs	1,095,426	-	57,654	1,037,772
2016 Loss on Refunding COPs	-	645,711	5,125	640,586
Prepaid Debt Insurance	1,210,063	50,429	108,735	1,151,757
Pension Related	5,215,104	8,184,031	4,533,040	8,866,095
Total Deferred Outflows of Resources	\$ 21,231,354	\$ 8,880,171	\$ 5,191,857	\$ 24,919,668

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

P. 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, 2017 is as follows:

Description	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
Pension Related	\$ 3,052,270	\$ 50,839	\$ 925,393	\$ 2,177,716
Total Deferred Inflows of Resources	\$ 3,052,270	\$ 50,839	\$ 925,393	\$ 2,177,716

Q. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

Construction Commitments

As of June 30, 2017 the District had the following commitments with respect to unfinished capital projects:

Construction in Process	Commitment	Expected Date of Final Completion*
Manzana Energy Project	\$ 5,940,729	April 2018

*Expected date of final completion subject to change.

R. Subsequent Events

Implementation of New Accounting Guidance

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. Those newly implemented pronouncements are as follows:

GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment- Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

Financial impact of implementing GASB Statement No. 75 has not yet been determined; however, it is expected that the Net OPEB Obligation will significantly increase. The District is currently in contact with an actuary to determine the complete fiscal impact.

GASB Statement No. 81 - Irrevocable Split Interest Agreements

The objective of this Statement is to improve accounting and financial reporting for irrevocable split interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts --- or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements --- in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

As of the date this audit report is issued, the District does not have any split interest agreements. Consequently, implementation of GASB No 81 is not expected to have a financial or reporting impact on the District.

GASB Statement No. 85 - Omnibus 2017

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). Specifically, this Statement addresses the following topics:

1. Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

2. Reporting amounts previously reported as goodwill and "negative" goodwill
3. Classifying real estate held by insurance entities
4. Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
5. Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
6. Recognizing on-behalf payments for pensions or OPEB in employer financial statements
7. Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
8. Classifying employer-paid member contributions for OPEB
9. Simplifying certain aspects of the alternative measurement method for OPEB
10. Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Financial impact of implementing GASB Statement No. 85 has not yet been determined.

GASB Statement No. 86 - Certain Debt Extinguishment Issues

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources other than the proceeds of refunding debt--- are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes financial statements for debt that is defeased in substance.

Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified in the period of the defeasance.

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

SAN YSIDRO SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

As of the date this audit report was issued, the District did not have any defeasance of debt. Consequently, the implementation of GASB Statement No. 86 is not expected to have a fiscal impact on the District.

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, 2017

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 24,030,231	\$ 24,030,231	\$ 21,215,357	\$ (2,814,874)
Education Protection Account Funds	6,107,624	6,107,624	6,106,766	(858)
Local Sources	15,365,350	15,365,350	18,112,506	2,747,156
Federal Revenue	2,912,268	3,086,060	2,280,316	(805,744)
Other State Revenue	2,581,941	2,581,941	4,640,760	2,058,819
Other Local Revenue	3,549,323	3,549,323	3,558,012	8,689
Total Revenues	<u>54,546,737</u>	<u>54,720,529</u>	<u>55,913,717</u>	<u>1,193,188</u>
Expenditures:				
Current:				
Certificated Salaries	23,393,710	23,407,259	22,597,520	809,739
Classified Salaries	8,182,008	8,215,103	9,369,230	(1,154,127)
Employee Benefits	9,200,121	9,227,818	11,222,590	(1,994,772)
Books And Supplies	3,822,766	3,776,112	1,999,481	1,776,631
Services And Other Operating Expenditures	8,689,488	8,828,325	8,930,261	(101,936)
Other Outgo	158,958	2,158,958	357,717	1,801,241
Direct Support/Indirect Costs	-	-	(118,660)	118,660
Capital Outlay	105,397	105,397	1,139,710	(1,034,313)
Total Expenditures	<u>53,552,448</u>	<u>55,718,972</u>	<u>55,497,849</u>	<u>221,123</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>994,289</u>	<u>(998,443)</u>	<u>415,868</u>	<u>1,414,311</u>
Other Financing Sources (Uses):				
Other Sources	-	-	1,988,254	1,988,254
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,988,254</u>	<u>1,988,254</u>
Net Change in Fund Balance	<u>994,289</u>	<u>(998,443)</u>	<u>2,404,122</u>	<u>3,402,565</u>
Fund Balance, July 1	13,233,856	13,233,856	13,233,856	-
Fund Balance, June 30	<u>\$ 14,228,145</u>	<u>\$ 12,235,413</u>	<u>\$ 15,637,978</u>	<u>\$ 3,402,565</u>

SAN YSIDRO SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS PLAN
YEAR ENDED JUNE 30, 2017

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0415%	0.0415%	0.0423%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 33,537,341	\$ 27,965,531	\$ 24,714,443	\$ 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	20,220,301	17,975,485	15,485,759	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	\$ 53,757,642	\$ 45,941,016	\$ 40,200,202	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 22,237,234	\$ 20,601,258	\$ 19,195,832	\$ 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	150.82%	135.75%	128.75%	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	70.04%	74.02%	76.52%	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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 2,797,444	\$ 2,210,515	\$ 1,704,590	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(2,797,444)	(2,210,515)	(1,704,590)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 22,237,234	\$ 20,601,258	\$ 19,195,832	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%	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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0673%	0.0598%	0.0623%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 13,292,253	\$ 8,815,645	\$ 7,067,431	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 9,463,673	\$ 8,150,089	\$ 6,650,956	\$ 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	140.46%	108.17%	106.26%	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	73.90%	79.43%	83.38%	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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 1,314,315	\$ 965,541	\$ 782,884	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(1,314,315)	(965,541)	(782,884)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 9,463,673	\$ 8,150,089	\$ 6,650,956	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	13.888%	11.847%	11.771%	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, 2017

Excess of Expenditures Over Appropriations

As of June 30, 2017, 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:		
Classified Salaries \$	1,154,127	The District underestimated classified salary costs
Employee Benefits	1,994,772	The District underestimated employee benefit costs
Services & Other	101,936	The District underestimated service & other costs
Capital Outlay	1,034,313	The District underestimated capital outlay costs

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

- 1) Benefit Changes: In 2015, 2016 & 2017 there were no changes to benefits
- 2) Changes in Assumptions: In 2015, 2016 & 2017 there were no changes in assumptions

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

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

<u>Valuation Date</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Experience Study	07/01/06 - 06/30/10	07/01/07 - 06/30/11	07/01/08 - 06/30/12
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%	3.75%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its RP2000 series tables adjusted to fit CalSTRS experience. RP 2000 series tables are an industry standard of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010, July 1, 2007 - June 30, 2011 and July 1, 2008 - June 30, 2012 Experience Analysis for more information.

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

- 1) Benefit Changes: In 2015, 2016 & 2017 there were no changes to benefits
- 2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65% to correct for an adjustment to exclude administrative expense.

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

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014 & 2015, and rolling forward the total pension liability to June 30, 2015 & 2016. The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, and June 30,

2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014	June 30, 2015	June 30, 2016
Experience Study	07/01/96 - 06/30/10	07/01/97 - 06/30/11	07/01/98 - 06/30/12
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.50%	7.50%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

The mortality table used was developed based on CalPERS specific 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 April 2013 experience study (based on demographic data from 1996 through 2010), the April 2014 experience study (based on demographic data from 1997 to 2011) and the April 2015 experience study

Combining Statements 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, 2017

	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	\$ 390,909	\$ -	\$ 4,237,775	\$ 4,628,684
Cash on Hand and in Banks	242,558	-	-	242,558
Cash with a Fiscal Agent/Trustee	-	-	53,860	53,860
Accounts Receivable	1,395	-	163,866	165,261
Due from Grantor Governments	406,601	-	-	406,601
Stores Inventories	30,322	-	-	30,322
Total Assets	<u>1,071,785</u>	<u>-</u>	<u>4,455,501</u>	<u>5,527,286</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 191,886	\$ -	\$ -	\$ 191,886
Due to Other Funds	200,000	-	-	200,000
Unearned Revenue	88,982	-	-	88,982
Total Liabilities	<u>480,868</u>	<u>-</u>	<u>-</u>	<u>480,868</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	30,322	-	-	30,322
Restricted Fund Balances	560,595	-	4,455,501	5,016,096
Total Fund Balance	<u>590,917</u>	<u>-</u>	<u>4,455,501</u>	<u>5,046,418</u>
Total Liabilities and Fund Balances	<u>\$ 1,071,785</u>	<u>\$ -</u>	<u>\$ 4,455,501</u>	<u>\$ 5,527,286</u>

SAN YSIDRO SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Debt Service Fund Blended Component Unit	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 2,156,230	\$ -	\$ -	\$ 2,156,230
Other State Revenue	1,170,735	-	-	1,170,735
Other Local Revenue	174,269	-	3,605,660	3,779,929
Total Revenues	<u>3,501,234</u>	<u>-</u>	<u>3,605,660</u>	<u>7,106,894</u>
Expenditures:				
Current:				
Instruction	867,529	-	-	867,529
Instruction - Related Services	265,604	-	-	265,604
Pupil Services	2,633,673	-	-	2,633,673
General Administration	118,660	-	18,971	137,631
Plant Services	51,539	-	46,512	98,051
Other Outgo	-	-	303,196	303,196
Capital Outlay	55,526	-	-	55,526
Debt Service:				
Principal	-	1,228,630	6,640,000	7,868,630
Interest	-	1,649,006	117,440	1,766,446
Total Expenditures	<u>3,992,531</u>	<u>2,877,636</u>	<u>7,126,119</u>	<u>13,996,286</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(491,297)</u>	<u>(2,877,636)</u>	<u>(3,520,459)</u>	<u>(6,889,392)</u>
Other Financing Sources (Uses):				
Transfers In	-	2,877,636	-	2,877,636
Transfers Out	-	-	(2,877,636)	(2,877,636)
Other Sources	-	-	7,212,671	7,212,671
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,877,636</u>	<u>4,335,035</u>	<u>7,212,671</u>
Net Change in Fund Balance	(491,297)	-	814,576	323,279
Fund Balance, July 1	1,082,214	-	3,640,925	4,723,139
Fund Balance, June 30	<u>\$ 590,917</u>	<u>\$ -</u>	<u>\$ 4,455,501</u>	<u>\$ 5,046,418</u>

SAN YSIDRO SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 137,266	\$ 253,643	\$ 390,909
Cash on Hand and in Banks	-	242,558	242,558
Accounts Receivable	525	870	1,395
Due from Grantor Governments	243,672	162,929	406,601
Stores Inventories	-	30,322	30,322
Total Assets	<u>381,463</u>	<u>690,322</u>	<u>1,071,785</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 38,801	\$ 153,085	\$ 191,886
Due to Other Funds	200,000	-	200,000
Unearned Revenue	-	88,982	88,982
Total Liabilities	<u>238,801</u>	<u>242,067</u>	<u>480,868</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	-	30,322	30,322
Restricted Fund Balances	142,662	417,933	560,595
Total Fund Balance	<u>142,662</u>	<u>448,255</u>	<u>590,917</u>
Total Liabilities and Fund Balances	<u>\$ 381,463</u>	<u>\$ 690,322</u>	<u>\$ 1,071,785</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, 2017

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ 108,000	\$ 2,048,230	\$ 2,156,230
Other State Revenue	1,028,194	142,541	1,170,735
Other Local Revenue	165,453	8,816	174,269
Total Revenues	<u>1,301,647</u>	<u>2,199,587</u>	<u>3,501,234</u>
Expenditures:			
Current:			
Instruction	867,529	-	867,529
Instruction - Related Services	265,604	-	265,604
Pupil Services	75,999	2,557,674	2,633,673
General Administration	2,009	116,651	118,660
Plant Services	51,539	-	51,539
Capital Outlay	-	55,526	55,526
Total Expenditures	<u>1,262,680</u>	<u>2,729,851</u>	<u>3,992,531</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>38,967</u>	<u>(530,264)</u>	<u>(491,297)</u>
Net Change in Fund Balance	38,967	(530,264)	(491,297)
Fund Balance, July 1	103,695	978,519	1,082,214
Fund Balance, June 30	<u>\$ 142,662</u>	<u>\$ 448,255</u>	<u>\$ 590,917</u>

SAN YSIDRO SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

	Capital Facilities Fund	Capital Outlay Projects	Blended Component Unit Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 1,640,911	\$ 655,402	\$ 1,941,462	\$ 4,237,775
Cash with a Fiscal Agent/Trustee	-	-	53,860	53,860
Accounts Receivable	6,975	336	156,555	163,866
Total Assets	<u>1,647,886</u>	<u>655,738</u>	<u>2,151,877</u>	<u>4,455,501</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Restricted Fund Balances	\$ 1,647,886	\$ 655,738	\$ 2,151,877	\$ 4,455,501
Total Fund Balance	<u>1,647,886</u>	<u>655,738</u>	<u>2,151,877</u>	<u>4,455,501</u>
Total Liabilities and Fund Balances	<u>\$ 1,647,886</u>	<u>\$ 655,738</u>	<u>\$ 2,151,877</u>	<u>\$ 4,455,501</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, 2017

	Capital Facilities Fund	Capital Outlay Projects	Blended Component Unit Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other Local Revenue	\$ 104,185	\$ 650,374	\$ 2,851,101	\$ 3,605,660
Total Revenues	<u>104,185</u>	<u>650,374</u>	<u>2,851,101</u>	<u>3,605,660</u>
Expenditures:				
Current:				
General Administration	18,971	-	-	18,971
Plant Services	-	-	46,512	46,512
Other Outgo	-	-	303,196	303,196
Debt Service:				
Principal	-	-	6,640,000	6,640,000
Interest	-	-	117,440	117,440
Total Expenditures	<u>18,971</u>	<u>-</u>	<u>7,107,148</u>	<u>7,126,119</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>85,214</u>	<u>650,374</u>	<u>(4,256,047)</u>	<u>(3,520,459)</u>
Other Financing Sources (Uses):				
Transfers Out	-	-	(2,877,636)	(2,877,636)
Other Sources	-	-	7,212,671	7,212,671
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>4,335,035</u>	<u>4,335,035</u>
Net Change in Fund Balance	85,214	650,374	78,988	814,576
Fund Balance, July 1	1,562,672	5,364	2,072,889	3,640,925
Fund Balance, June 30	<u>\$ 1,647,886</u>	<u>\$ 655,738</u>	<u>\$ 2,151,877</u>	<u>\$ 4,455,501</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, 2017

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

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Rosaleah Pallasigue	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, 2017

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	1,930.90	1,930.04	1,924.91	1,924.03
Extended Year Special Education	14.12	14.12	14.12	14.12
TK/K-3 Totals	<u>1,945.02</u>	<u>1,944.16</u>	<u>1,939.03</u>	<u>1,938.15</u>
Grades 4-6:				
Regular ADA	1,624.17	1,624.17	1,621.63	1,621.63
Extended Year Special Education	5.71	5.71	5.71	5.71
Nonpublic, Nonsectarian Schools	1.76	1.76	1.80	1.80
Extended Year Nonpublic	1.67	1.67	1.67	1.67
Grades 4-6 Totals	<u>1,633.31</u>	<u>1,633.31</u>	<u>1,630.81</u>	<u>1,630.81</u>
Grades 7 and 8:				
Regular ADA	1,000.53	1,000.53	1,004.51	1,004.51
Extended Year Special Education	1.68	1.68	1.68	1.68
Nonpublic, Nonsectarian Schools	1.95	1.95	1.95	1.95
Extended Year Nonpublic	2.00	2.00	2.00	2.00
Grades 7 and 8 Totals	<u>1,006.16</u>	<u>1,006.16</u>	<u>1,010.14</u>	<u>1,010.14</u>
ADA Totals	<u>4,584.49</u>	<u>4,583.63</u>	<u>4,579.98</u>	<u>4,579.10</u>

Revised ADA reflects changes as a result of Finding 2017-010.

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, 2017

TABLE D-2

Grade Level	Ed. Code 46207 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	36,550	180	-	Complied
Kindergarten	36,000	43,150	180	-	Complied
Grade 1	50,400	54,900	180	-	Complied
Grade 2	50,400	54,900	180	-	Complied
Grade 3	50,400	54,900	180	-	Complied
Grade 4	54,000	54,150	180	-	Complied
Grade 5	54,000	54,150	180	-	Complied
Grade 6	54,000	54,150	180	-	Complied
Grade 7	54,000	55,420	180	-	Complied
Grade 8	54,000	55,420	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, 2017

TABLE D-3

General Fund	Budget 2018 (See Note 1)	2017	2016	2015
Revenues and other financial sources	\$ 55,727,538	\$ 57,901,971	\$ 56,757,989	\$ 45,549,204
Expenditures, other uses and transfers out	56,652,904	55,497,849	51,714,525	43,719,451
Change in fund balance (deficit)	(925,366)	2,404,122	5,043,464	1,829,753
Ending fund balance	\$ 14,712,612	\$ 15,637,978	\$ 13,233,856	\$ 8,190,392
Available reserves (See Note 2)	\$ 9,915,629	\$ 13,001,888	\$ 10,319,703	\$ 5,402,575
Available reserves as a percentage of total outgo (See Note 3)	17.5%	24.0%	20.5%	12.7%
Total long-term debt	\$ 256,753,517	\$ 261,647,725	\$ 245,099,043	\$ 238,654,122
Average daily attendance at P-2	4,584	4,584	4,554	4,603

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 \$7,447,586 (90.93%) over the past two years. The fiscal year 2017-18 budget projects a decrease of \$925,366 (5.92%). 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 \$22,993,603 over the past two years.

Average daily attendance has decreased by 19 over the past two years.

Notes:

- 1 Budget 2018 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 \$1,232,026, \$1,335,402, and \$1,065,994 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2017, 2016, and 2015.

SAN YSIDRO SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

TABLE D-4

	General Fund	Cafeteria Fund	Blended Component Unit Fund
June 30, 2017, annual financial and budget report fund balances	\$ 13,461,853.00	\$ 594,631.00	\$ 1,999,842.00
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
Cash understatement	2,020,554.00	241,558.00	-
Accounts receivable understatement	228,346.00	-	152,035.00
Accounts receivable overstatement	-	(387,934.00)	-
Accounts payable understatement	(72,775.00)	-	-
Net adjustments and reclassifications	2,176,125.00	(146,376.00)	152,035.00
June 30, 2017, audited financial statement fund balances	\$ 15,637,978.00	\$ 448,255.00	\$ 2,151,877.00

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

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2017

TABLE D-5

No charter schools are chartered by San Ysidro School District.

Charter Schools

Included In
Audit?

None

N/A

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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	\$ -	\$ 285,839
National School Lunch Program Noncash Commodities	10.555	13396	-	69,201
National School Lunch Program Section 11	10.555	13396	-	1,381,769
National School Lunch Program Section 4	10.555	13523	-	236,656
National School Lunch Program Meal Supplement	10.555	23165	-	74,765
Total Passed Through State Department of Education			-	2,048,230
Total U. S. Department of Agriculture			-	2,048,230
Total Child Nutrition Cluster			-	2,048,230
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	-	7,586
Medi-Cal MAA	93.778	10013	-	39,679
Total Passed Through State Department of Education			-	47,265
Total U. S. Department of Health and Human Services			-	47,265
Total Medicaid Cluster			-	47,265
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA Basic Local Assistance	84.027	13379	-	807,675
IDEA Preschool Local	84.027	13682	-	140,347
IDEA Mental Health	84.027	14468	-	33,308
IDEA Preschool Grants	84.173	13430	-	44,181
IDEA Preschool Staff Development	84.173	13431	-	977
Total Passed Through State Department of Education			-	1,026,488
Total U. S. Department of Education			-	1,026,488
Total Special Education (IDEA) Cluster			-	1,026,488
OTHER PROGRAMS:				
<u>U. S. Department of Health and Human Services</u>				
Passed Through State Department of Education:				
Head Start	93.600	10016	-	108,000
Total U. S. Department of Health and Human Services			-	108,000
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Title I	84.010	14329	-	1,008,574
Title III	84.365	15146 & 14346	-	97,212
Title II Teacher Quality	84.367	14341	-	79,481
Total Passed Through State Department of Education			-	1,185,267
Total U. S. Department of Education			-	1,185,267
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
Team Nutrition	10.574	15332	-	4,080
Fresh Fruit & Vegetable Program	10.582	14968	-	111,730
Total Passed Through State Department of Education			-	115,810
Total U. S. Department of Agriculture			-	115,810
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 4,531,060

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, 2017

Basis of Presentation

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

Summary of Significant Accounting Policies

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

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 5.72% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

<u>Program</u>	<u>CFDA #</u>	<u>Indirect Cost Rate</u>
Child Nutrition Cluster	10.553, 10.555	4.92%
Medicaid Cluster	93.778	0.00%
Special Education Cluster	84.027, 84.173	0.00%
Head Start	93.600	0.00%
Title I	84.010	0.00%
Title III	84.365	0.00%
Title II Teacher Quality	84.367	0.00%
Team Nutrition	10.574	0.00%
Fresh Fruit & Vegetable Program	10.582	0.00%

Schoolwide Program

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

<u>Program</u>	<u>CFDA #</u>	<u>Amount Expended</u>
Title I	84.010	\$1,008,574

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, 2017, 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 February 28, 2018.

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.

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

Our consideration of internal control was for the limited purpose described in the 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-001 through 2017-006 to be a material weakness.

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) 2017-007 through 2017-010.

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.

El Cajon, California
February 28, 2018

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, 2017. San Ysidro School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Ysidro School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the San Ysidro School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the San Ysidro School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

El Cajon, California
February 28, 2018

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 *2016-17 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, 2017.

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, *2016-17 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, *2016-17 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
Mental Health Expenditures	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, 2017.

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, *2016-17 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 are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-007 through 2017-010.

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 *2016-17 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.

El Cajon, California
February 28, 2018

Findings and Recommendations Section

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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? X Yes No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? Yes X No

3. State Awards

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

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

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

B. Financial Statement Findings

Finding 2017-001 (30000)
Debt Issuance

Criteria or Specific Requirement

Verify that the District has accounted for debt issuance in accordance with generally accepted accounting principles. 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 debt issuance, we noted that the District did not account for refunding Certificates of Participation. In addition, the District did not account for a capital lease with PNC Equipment Finance, LLC.

Questioned Costs

None

Context

The District issued refunding \$6,505,000 Certificates of Participation in September 2016 to refund the 2007 Certificates of Participation. The District entered into an agreement with PNC Equipment Finance, LLC for \$1,988,254 to finance energy projects in December 2016. The funds from PNC Equipment Finance, LLC were deposited into an escrow account to be utilized by the District to pay authorized energy improvement expenditures. The District did not include the debt issuance or the escrow account in their financial statements.

Effect

The general fund and capital projects fund for blended component units were misstated and had to be corrected via audit adjusting journal entry. Additionally, since these items were not accounted for in the fund financial statements, conversion entries did not extract new debt issuance resulting in a material misstatement on the government-wide financial statements that had to be corrected via audit adjusting journal entry.

Cause

The District did not have procedures in place to ensure issuance of debt had been accounted for prior to closing the books.

Recommendation

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

LEA's Response

The District will adopt the auditors recommended procedures to ensure complete and accurate information.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Finding 2017-002 (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 twenty deposits had journal entries that were prepared and approved by the same person.

Questioned Costs

None

Context

Twenty deposits out of fifty tested did not have adequate supporting documentation. Journal entries were being prepared and approved by the same person. Segregation of these duties would aid in the prevention, detection and deterrence of fraud due to misappropriation.

This is a repeat finding.

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 will adopt the auditors recommended procedures to ensure complete and accurate information.

Finding 2017-003 (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 districts year end closing process.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Questioned Costs

None

Context

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

This is a repeat finding

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, 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 will adopt the auditors recommended procedures and will also provide training to the current accounting staff handling year end closing. The Chief Business Official will also take a more active role in the process to ensure the accuracy of the information.

Finding 2017-004 (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 added or deleted from the depreciation schedule. We were unable to reconcile ending capital assets to supporting documentation sufficient to meet audit evidence requirements.

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 system. 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.

This is a repeat finding.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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 adopt the auditors recommended procedures to ensure complete and accurate information.

Finding 2017-005 (30000)
Inventory 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

Accounting staff changed procedures with regards to inventory in the general fund. In previous years inventory was tracked at the warehouse and recorded in the accounting records. During the 2016-17 fiscal year, accounting staff decided to eliminate accounting for inventory. The District was not able to provide a detail of inventory items in the warehouse. The accounting policy change was not approved by the board.

Questioned Costs

None

Context

During the 2015-16 audit an adjusting journal entry was posted to correct inventory balance in the general fund to agree with warehouse records of inventory. As part of the year end close process we recommended the District implement review and reconciliation procedures to ensure an accurate accounting of all balances held at year end, including inventory. Instead of establishing a reconciliation process, the accounting personnel eliminated the process and wrote off the inventory via journal entry.

This is not a repeat finding.

Cause

The District did not understand that the purpose of inventory control procedures is to aid in prevention, detection, and deterrence of fraud. The District eliminated the system in place to track items in the warehouse. In addition, the District did not have a system in place to reconcile warehouse records to accounting records.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Effect

The District is exposed to risk of misappropriation of inventory items. In addition, inventory is misstated by an amount that cannot be determined because the records do not exist to track inventory in the general fund. We do not have sufficient audit evidence to offer an opinion on inventory in the general fund. The District's procedures would not identify a misstatement, whether due to fraud or error.

Recommendation

Establish procedures to ensure accurate reporting of inventory in the general fund. When considering a change to District accounting processes, seek board approval before making a change.

LEA's Response

The District will adopt the auditors recommended procedures to ensure complete and accurate information.

Finding 2017-006 (30000)
Other Post Employment Benefits

Criteria or Specific Requirement

Determine whether the District has accounted for Other Post Employment Benefits (OPEB) in accordance with GASB Statement 45. 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 did not obtain an actuarial study of Other Post Employment Benefits (OPEB) as required by GASB Statement 45.

Questioned Costs

None

Context

GASB Statement 45 requires employers offering OPEB plans to obtain an actuarial study biennially in order to accurately report net OPEB liability. The District's last OPEB actuarial study was completed effective July 1, 2014 and was for the 2014-15 and 2015-16 fiscal year. The District was due for a new actuarial study in the 2016-17 fiscal year, but did not complete the study.

This is not a repeat finding.

Cause

The District did not have a system in place to ensure compliance with GASB Statement 45.

Effect

The District is out of compliance with GASB Statement 45. OPEB is likely misstated by an amount that cannot be determined because the actuarial study was not performed for the 2016-17 fiscal year. We do not have sufficient audit evidence to offer an opinion on net OPEB liability in the government-wide financial statements. The District's procedures would not identify a misstatement, whether due to error or fraud.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Recommendation

Obtain an actuarial study that meets GASB requirements. Provide training to accounting personnel to GASB requirements. Establish review procedures to ensure GASB compliance.

LEA's Response

The District will adopt the auditors recommended procedures to ensure complete and accurate information.

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding 2017-007 (10000)
Attendance Verification

Criteria or Specific Requirement

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

Condition

In our review of attendance at San Ysidro Middle School, we noted that teacher verification of attendance is not being completed within one week of attendance being taken. In addition, there were instances of teachers signing, but not dating the attendance report.

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.

Context

At San Ysidro Middle School seven out of twenty four teacher rosters tested were either missing a signature, not signed, or the signature was backdated so we were unable to determine if it was verified timely. In addition, we performed testing at two additional schools with no exceptions noted.

This is a repeat finding.

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.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Effect

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

Recommendation

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

LEA's Response

The District will adopt the auditors recommended procedures to ensure complete and accurate information.

Finding 2017-008 (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 (FRPM) eligible on Form "1.18 - FRPM/English Learner/Foster Youth -Student List" we found that 17 of the 73 selected for testing were incorrectly designated as eligible under free or reduced price meal program (FRPM).

Questioned Costs

\$130,701 reduction in supplemental and concentration grants based on audit adjustment to the unduplicated pupil counts of extrapolated errors.

Audit Adjustments to the counts are as follows:

	<u>Funded Under LCFF</u>	<u>Audit Adjustments</u>	<u>Adjusted Counts</u>
Total Enrollment	4,814	-	4,814
Unduplicated Pupil Counts:			
Free & Reduced Meal Program (FRPM)	749	(133)	616
English Learners (ELAS)	559	-	559
Both FRPM & ELAS	883	-	883
Other Funded (Dir. Certification, etc.)	2,269	-	2,269
Total Unduplicated Pupil Counts	<u>4,460</u>	<u>(133)</u>	<u>4,327</u>

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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.

We tested 73 students eligible in the FRPM Only category and identified 17 students incorrectly reported. In addition we tested 95 students eligible in other categories with no exceptions.

This is a repeat finding.

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

The District will adopt the auditors recommended procedures to ensure complete and accurate information.

Finding 2017-009 (40000)

After School Education and Safety Program - Before School Component

Criteria or Specific Requirement

Verify that for each attendance day claimed, the student attended the full day of the program, except as consistent with the District's late arrival policy pursuant to Education Code Section 8483 (a)(2).

Condition

In our review of attendance documentation for the after school education and safety program (ASES) before school component at Ocean View Elementary School for the month of October, students marked as present on the attendance report were signing in late with no late arrival forms on file or emergency late arrival codes identified on sign in sheets. We also noted instances where students who were marked present did not have a sign in signature or time on the sign in sheets.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Questioned Costs

None, funding is not tied to this compliance requirement.

Context

California Education Code Section 14502.1 and 8483(a)(2) requires that to claim attendance for each pupil, they must attend the full day of the program, except as consistent with the District's late arrival policy. Due to the late arrival forms not being completed for pupils arriving after the beginning of the program and the lack of sign-in times for pupils, it appears pupil attendance was not consistent with the District's late arrival policies.

We found 14 errors in 120 days of attendance tested in the month of October resulting in an 11.67% error rate in our sample.

This is not a repeat finding.

Cause

School site personnel did not understand the requirements for attendance in the ASES program. There was no oversight or procedures in place to review sign in sheets, late arrival forms or attendance reports to ensure that school sites were following District established procedures.

Effect

The District was out of compliance with attendance reporting procedures in the before school component of the ASES program at Ocien View Hills Elementary School.

Recommendation

We recommend the District provide training to school site personnel to ensure they understand District established policies and procedures. Establish an oversight and review procedure to ensure school sites are adhering to these established policies. We also recommend school site personnel review sign in sheets daily to ensure parents are signing their students in each day and to ensure sign in times are consistent with the late arrival policy.

LEA's Response

The District will adopt the auditors recommended procedures to ensure complete and accurate information.

Finding 2017-010 (40000)
Kindergarten Continuation

Criteria or Specific Requirement

In accordance with California Education Section 48011 a child who has completed one year of kindergarten shall be admitted to the first grade or an elementary school unless the parent or guardian of the child and the school district agree that the child may continue in kindergarten for not more than one additional school year. The California Department of Education provides a specific form which is required to be signed by the parent or guardian and the district for a child to continue in kindergarten for a second year.

Condition

In our review of kindergarten continuance forms we noted one student who continued in kindergarten and who did not have the proper state approved agreement to continue in kindergarten form on file.

SAN YSIDRO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Questioned Costs

Overstatement of .86 ADA at the P-2 reporting period resulting in estimated questioned costs of \$8,325.

Context

In review of Kindergarten lists at Smythe Elementary School for the 2015-16 and 2016-17 school years, there was one student who appeared on both lists. The District was unable to provide an agreement to continue in kindergarten form approved in form and content by the California Department of Education for this student.

This is not a repeat finding.

Cause

Although the district maintained records of meetings between parents, teachers, and administrators, the required California Department of Education continuation form was not returned when signed. District procedures which require the form to be on file were not followed.

Effect

The average daily attendance for this student is overstated due to the continuation form not being on file.

Recommendation

Revise the P2 and Annual attendance reports to reflect a decrease of .86 Kindergarten ADA at P2 and a decrease of .88 Kindergarten ADA at Annual. Monitor procedures already in place which require all school sites utilize the state approved agreement to continue in Kindergarten form.

LEA's Response

The District will adopt the auditors recommended procedures to ensure complete and accurate information.

SAN YSIDRO SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2016-001 (30000) Blended Component Unit Accounting</p> <p>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.</p> <p>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.</p>	Implemented	
<p>Finding 2016-002 (30000) Deposit Controls</p> <p>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.</p> <p>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.</p>	Not Implemented	See Finding 2017-002
<p>Finding 2016-003 (30000) Year End Closing</p> <p>In our review of the financial statements, we noted several areas that were misstated. These misstatements were not identified by the districts year end closing process.</p> <p>Establish reconciliation procedures to ensure that financial statements are recorded correctly and all transactions of the account are properly accounted for.</p>	Not Implemented	See Finding 2017-003

SAN YSIDRO SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2016-004 (30000) Capital Asset Accounting</p> <p>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.</p> <p>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.</p>	<p>Not Implemented</p>	<p>See Finding 2017-004</p>
<p>Finding 2016-005 (50000) Special Tests & Provisions School Wide Plan</p> <p>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.</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. Establish the transition plans for assisting preschool children in the successful transition to the schoolwide program.</p>	<p>Implemented</p>	
<p>Finding 2016-006 (50000) Allowable Costs/Cost Principles Documentation of Employee Time & Effort</p> <p>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.</p>		

SAN YSIDRO SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>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.</p>	Implemented	
<p>Finding 2016-007 (10000) Attendance Reporting</p> <p>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.</p> <p>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.</p>	Implemented	
<p>Finding 2016-008 (10000) Attendance Verification</p> <p>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.</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>	Partially Implemented	See Finding 2017-007
<p>Finding 2016-009 (40000) Unduplicated Pupil Counts</p> <p>In our review of students reported as Free and Reduced Price Meal (FPRM) eligible on Form "1.18 – FRPM/English Learner/Foster Youth</p>		

SAN YSIDRO SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>-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).</p> <p>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.</p>	<p>Not Implemented</p>	<p>See Finding 2017-008</p>