

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

**AUDIT REPORT**

**JUNE 30, 2018**

## Introductory Section

San Ysidro School District  
Audit Report  
For The Year Ended June 30, 2018

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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, 2018, 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 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, 2018, 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, 2018 and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As described in Note A to the financial statements, in 2018, San Ysidro School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of changes in the District's total OPEB liability and related ratios 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, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019 on our consideration of San Ysidro School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Ysidro School District's internal control over financial reporting and compliance.

*Wilkinson Bailey King & Co., LLP*

El Cajon, California  
January 31, 2019



**SAN YSIDRO SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**  
**(Unaudited)**

**PROFILE OF THE DISTRICT**

The San Ysidro School District (District) was formed in 1887 and serves the children of the City of San Ysidro and portions of the unincorporated area of San Diego County. The District operates one preschool, five elementary schools, and two middle schools housing 4733 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, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report, the District's financial statements and notes to the basic financial statements.

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

**FINANCIAL HIGHLIGHTS**

- General Fund expenditures increased by \$5.4 million or 8.8% as compared to the previous fiscal year amount.
- General Fund expenditures and other uses exceeded revenues and other sources by \$4.8 million.
- In August 2017, the district acquired additional debt in the form of Certificates of Participation (COPS) in the amount of \$14 million.

**Overview of the Financial Statements**

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

**The Basic Financial Statements**

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

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

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

### **Reporting the School District as a Whole**

#### *Statement of Net Position and the Statement of Activities*

These two statements provide information about the District as a whole using methods similar to those used by private-sector companies. The Statement of Net Position includes all the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes in account all the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2017-18?"

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

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

### **Reporting the School District's Most Significant Funds**

#### *Fund Financial Statements*

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

### *Governmental Funds*

Most of the District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund, the 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 (\$54.3) million at June 30, 2018 and was largely due to the continuing recognition of the Net Pension Liability. Of this amount, unrestricted assets were (\$38.8) million. A comparative analysis of government-wide data is presented in Table 1.

The District's net position decreased \$14,071,259 this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 66% of total expenses. The administrative activities of the District accounted for just 8% of total costs. The interest paid on long term debt accounted for 6% of total costs. The remaining 20% was spent in the areas of plant services and other expenses. (See Figure 2)

**(Table 1)**  
**Comparative Statement of Net Position**

		<b>Governmental Activities</b>	
		<b>June 30, 2018</b>	<b>June 30, 2017</b>
<b>Assets</b>			
Cash	\$	26,845,503	\$ 47,371,447
Accounts receivable		1,934,397	1,947,440
Stores inventory		30,322	30,322
Prepaid expenses		8,000	8,000
Capital assets		192,936,245	166,401,850
Total Assets	\$	<u>221,754,467</u>	<u>\$ 215,759,059</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources - pensions	\$	<u>36,395,173</u>	<u>\$ 24,279,082</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities		8,061,852	7,276,335
Unearned revenue		644,594	190,117
Long-term liabilities		297,348,798	261,647,725
Total liabilities		<u>306,055,244</u>	<u>269,114,177</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources - pensions	\$	<u>6,368,846</u>	<u>\$ 2,177,716</u>
<b>Net Assets</b>			
Net investment in capital assets		(31,915,331)	(27,633,062)
Restricted		16,479,697	12,893,663
Unrestricted		(38,838,816)	(16,514,353)
Total net position	\$	<u>(54,274,450)</u>	<u>\$ (31,253,752)</u>

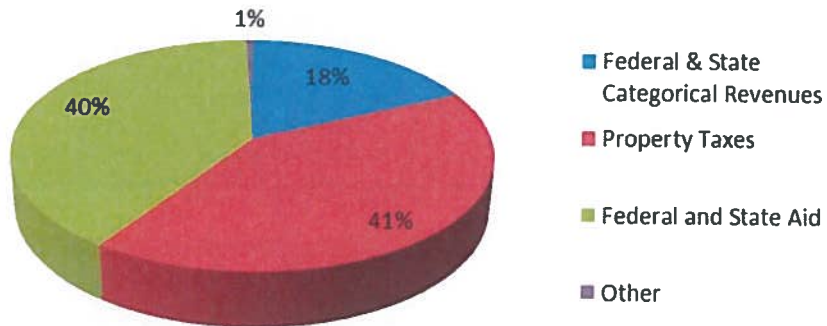
**(Table 2)**  
**Comparative Statement of Change in Net Position**

	<b>Governmental Activities</b>	
	<b>June 30, 2018</b>	<b>June 30, 2017</b>
<b>Revenues</b>		
Program revenues	\$ 12,748,222	\$ 12,308,433
General revenues		
Taxes levied for general purposes	19,647,161	18,112,504
Taxes levied for debt service	6,365,875	5,497,704
Taxes levied for other specific purposes	3,334,448	3,223,491
Federal and state aid not restricted to specific purposes	28,448,168	29,246,226
Interest and investment earnings	222,547	162,035
Miscellaneous	170,525	210,917
Total Revenues	<u>\$ 70,936,946</u>	<u>\$ 68,761,310</u>
<b>Expenses</b>		
Instruction	41,615,692	38,681,363
Instruction related services	6,948,292	5,714,064
Pupil support services	7,952,657	7,434,656
General administration	6,538,324	5,860,443
Plant services	7,768,036	6,692,860
Interest on long-term debt	9,189,117	12,062,521
Other	4,996,087	5,878,561
Total Expenses	<u>85,008,205</u>	<u>82,324,468</u>
Increase (Decrease) in net position	<u>\$ (14,071,259)</u>	<u>\$ (13,563,158)</u>

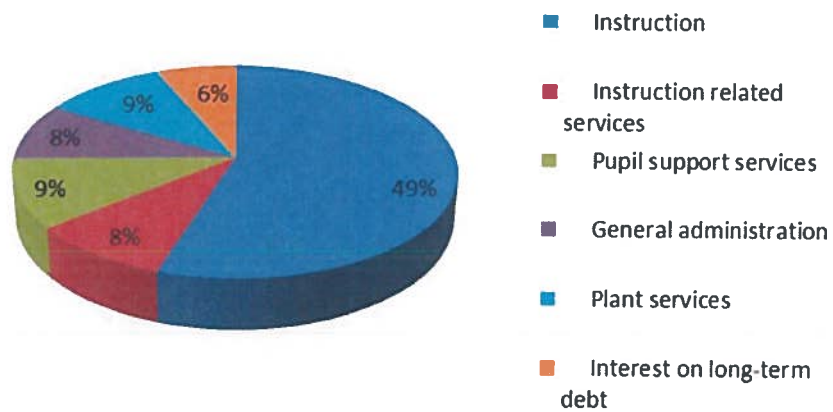
#### **GOVERNMENTAL ACTIVITIES**

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$85 million. The amount that our local taxpayers financed for these activities through property taxes was \$29.3 million. Federal and State aid not restricted to specific purposes totaled \$28.4 million. Operating grants and contributions and charges for services revenue totaled \$12.7 million.

**Sources of Revenue for the 2017-2018  
Fiscal Year - Figure 1**



**Expenses for the 2017-2018 Fiscal Year - Figure 2**



## FINANCIAL ANALYSIS OF THE FUND STATEMENTS

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

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

(Table 3)  
Comparative Schedule of Capital Assets  
(Net of Depreciation)  
June 30, 2018 and 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Net \$ Change</u>	<u>Net % Change</u>
Land	\$ 45,896,267	\$ 45,896,267	\$ 0	0.0%
Site Improvements	6,607,823	7,686,519	(1,078,696)	-14.0%
Buildings	83,763,429	87,124,854	(3,361,425)	-3.9%
Equipment	462,229	652,202	(189,973)	-29.1%
Work in progress	56,206,497	25,042,008	31,164,489	124.4%
Total	<u>\$ 192,936,245</u>	<u>\$ 166,401,850</u>	<u>\$ 26,534,395</u>	<u>77.4%</u>

### Long-Term Debt

At June 30, 2018 the District had \$297 million in long-term debt outstanding.

(Table 4)  
Comparative Schedule of Outstanding Obligations  
June 30, 2018 and 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
General Obligation Bonds	\$ 169,035,632	\$ 168,617,375
Certificates of Participation Payable	52,965,724	38,749,544
Capital Lease Obligation	1,835,700	1,988,254
Other General Long Term Debt	1,014,520	1,268,150
Net Pension liability	57,564,457	46,829,594
Total OPEB liability	14,463,634	13,730,460
Compensated Absences	469,131	435,121
Total	<u>\$ 297,348,798</u>	<u>\$ 271,618,498</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's Local Control Funding Formula (LCFF) which is not fully funded in 2017-18. Beginning in 2018-19, the Local Control Funding Formula will be fully funded and districts will only receive the Cost of Living Adjustment (COLA) moving forward.

Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. San Ysidro experienced a decline in enrollment from 4,815 students in 2016-17 to 4,733 students in 2017-18. This is a decline of 82 students, or a loss of about \$820,000. In addition, the district's budget is severely impacted by the increase in pension costs to CalSTRS and CalPERS. In 2017-18, the pension costs increase was about \$1.0 million. Construction debt payments has also impacted the district's general fund budget. Annual debt payments range from \$700,000 to \$1.0 million.

In May 2018, the district hired a new Superintendent and in July 2018, the district hired a new Chief Business Official (CBO). Both the Superintendent and the CBO have an in-depth knowledge of school finance and are making a concerted effort to meaningfully address and correct prior year district audit findings. This new Superintendent and new CBO are fully cooperating with external auditors, the San Diego County Office of Education, the Fiscal Crisis and Management Assistance Team (FCMAT) and the District Attorney's Office to address all prior year audit findings and recommendations. Additionally, the Governing Board approved professional development contracts with Best, Best & Krieger, Attorneys at Law, and Wilkinson, Hadley, King & Co. LLP to tighten internal controls and procedures to include robust fiscal training for staff. Finally, in 2018-19, the Governing Board contracted with the California School Board Association (CSBA) to update all business related board policies to be in compliance with all State and Federal regulations.

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

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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



## Basic Financial Statements

**SAN YSIDRO SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 26,845,503
Receivables	1,934,397
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	56,206,497
Less Accumulated Depreciation	(51,352,049)
Total Assets	<u>221,754,467</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>36,395,173</u>
<b>LIABILITIES</b>	
Accounts Payable and Other Current Liabilities	8,061,852
Unearned Revenue	644,594
Long-Term Liabilities:	
Due Within One Year	7,206,473
Due in More Than One Year	290,142,325
Total Liabilities	<u>306,055,244</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>6,368,846</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	(31,915,331)
Restricted for:	
Capital Projects	4,443,205
Debt Service	6,397,989
Educational Programs	5,586,748
Other Purposes (Nonexpendable)	51,755
Unrestricted	(38,838,816)
Total Net Position	<u>\$ (54,274,450)</u>

The accompanying notes are an integral part of this statement.

**SAN YSIDRO SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

EXHIBIT A-2

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:			Capital Grants and Contributions	Governmental Activities
Instruction	\$ 41,615,692	\$ 33,270	\$ 6,211,018	\$ -
Instruction-Related Services:				
Instructional Supervision and Administration	1,254,668	-	334,567	-
Instructional Library, Media and Technology	1,025,811	-	192,237	-
School Site Administration	4,667,813	-	172,834	-
Pupil Services:				
Home-to-School Transportation	1,151,940	-	-	-
Food Services	2,893,940	11,133	2,409,636	-
All Other Pupil Services	3,906,777	4,650	700,887	-
General Administration:				
Centralized Data Processing	1,087,961	-	-	-
All Other General Administration	5,450,363	2,189	279,014	-
Plant Services	7,768,036	29,153	61,919	-
Ancillary Services	28,092	-	-	-
Interest on Long-Term Debt	9,189,117	-	-	-
Other Outgo - Transfers Between Agencies	229,166	1,725,534	580,181	-
Other Outgo - Debt Issuance Costs	108,735	-	-	-
Depreciation (Unallocated)*	4,630,094	-	-	-
Total Expenses	\$ 85,008,205	\$ 1,805,929	\$ 10,942,293	\$ -
General Revenues:				
Taxes and Subventions:				
Taxes Levied for General Purposes				\$ 19,647,161
Taxes Levied for Debt Service				6,365,875
Taxes Levied for Other Specific Purposes				3,334,448
Federal and State Aid Not Restricted to Specific Programs				28,448,168
Interest and Investment Earnings				222,547
Miscellaneous				170,525
Total General Revenues				\$ 58,188,724
Change in Net Position				(14,071,259)
Net Position Beginning - As Restated (Note R)				(40,203,191)
Net Position Ending				\$ (54,274,450)

\*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, 2018**

	General Fund	Building Fund
<b>ASSETS:</b>		
Cash in County Treasury	\$ 11,836,973	\$ 4,818
Cash on Hand and in Banks	24,415	-
Cash in Revolving Fund	13,433	-
Cash with a Fiscal Agent/Trustee	3,490,560	-
Accounts Receivable	1,351,348	22
Due from Other Funds	708,609	-
Stores Inventories	-	-
Prepaid Expenditures	8,000	-
Total Assets	<u>17,433,338</u>	<u>4,840</u>
<b>LIABILITIES AND FUND BALANCE:</b>		
Liabilities:		
Accounts Payable	\$ 6,052,023	\$ 204
Due to Other Funds	98,699	-
Unearned Revenue	514,181	-
Total Liabilities	<u>6,664,903</u>	<u>204</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	13,433	-
Stores Inventories	-	-
Prepaid Items	8,000	-
Restricted Fund Balances	5,441,874	4,636
Assigned Fund Balances	2,924,504	-
Unassigned:		
Reserve for Economic Uncertainty	2,330,743	-
Other Unassigned	49,881	-
Total Fund Balance	<u>10,768,435</u>	<u>4,636</u>
Total Liabilities and Fund Balances	<u>\$ 17,433,338</u>	<u>\$ 4,840</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
\$ 6,397,991	\$ 5,022,452	\$ 23,262,234
-	1,000	25,415
-	-	13,433
-	53,860	3,544,420
-	583,029	1,934,399
-	152,816	861,425
-	30,322	30,322
-	-	8,000
<u>6,397,991</u>	<u>5,843,479</u>	<u>29,679,648</u>
\$ -	\$ 336,573	\$ 6,388,800
-	762,726	861,425
-	130,414	644,595
<u>-</u>	<u>1,229,713</u>	<u>7,894,820</u>
-	-	13,433
-	30,322	30,322
-	-	8,000
6,397,991	4,583,444	16,427,945
-	-	2,924,504
-	-	2,330,743
-	-	49,881
<u>6,397,991</u>	<u>4,613,766</u>	<u>21,784,828</u>
\$ <u>6,397,991</u>	\$ <u>5,843,479</u>	\$ <u>29,679,648</u>

**SAN YSIDRO SCHOOL DISTRICT**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

Total fund balances - governmental funds balance sheet \$ 21,784,828

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	244,288,294	
Accumulated depreciation	(51,352,049)	
Net		192,936,245

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:

1,043,022

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 unmatrued interest owing at the end of the period was:

(1,673,052)

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	169,035,632	
Certificates of participation payable	52,965,724	
Capital leases payable	1,835,700	
Other general long term debt	1,014,520	
Net pension liability	57,564,457	
Total OPEB liability	14,463,634	
Compensated absences payable	469,131	
Total		(297,348,798)

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

Deferred outflows of resources relating to pensions	20,845,008
Deferred inflows of resources relating to pensions	(6,368,846)

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

Deferred outflows of resources relating to OPEB	181,021
---	---------

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:

14,326,122

Net position of governmental activities - statement of net position \$ (54,274,450)

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, 2018**

	General Fund	Building Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 22,580,982	\$ -
Education Protection Account Funds	4,131,230	-
Local Sources	19,647,161	-
Federal Revenue	3,334,711	-
Other State Revenue	4,015,787	-
Other Local Revenue	3,554,938	55,365
Total Revenues	<u>57,264,809</u>	<u>55,365</u>
Expenditures:		
Current:		
Instruction	39,132,511	-
Instruction - Related Services	5,268,581	-
Pupil Services	4,813,541	-
Ancillary Services	28,092	-
General Administration	6,246,768	-
Plant Services	7,137,220	894,861
Other Outgo	229,166	-
Capital Outlay	2,368,570	26,891,064
Debt Service:		
Principal	372,458	-
Interest	493,615	-
Total Expenditures	<u>66,090,522</u>	<u>27,785,925</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,825,713)</u>	<u>(27,730,560)</u>
Other Financing Sources (Uses):		
Transfers In	253,630	11,146,785
Transfers Out	(11,600,920)	-
Other Sources	15,333,885	-
Total Other Financing Sources (Uses)	<u>3,986,595</u>	<u>11,146,785</u>
Net Change in Fund Balance	(4,839,118)	(16,583,775)
Fund Balance, July 1	15,607,553	16,588,411
Fund Balance, June 30	<u>\$ 10,768,435</u>	<u>\$ 4,636</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 22,580,982
-	-	4,131,230
-	-	19,647,161
-	2,393,181	5,727,892
19,726	1,370,282	5,405,795
6,395,559	4,004,953	14,010,815
<u>6,415,285</u>	<u>7,768,416</u>	<u>71,503,875</u>
-	1,081,962	40,214,473
-	285,926	5,554,507
-	2,826,572	7,640,113
-	-	28,092
-	156,624	6,403,392
-	148,998	8,181,079
-	-	229,166
-	1,356,805	30,616,439
3,747,846	1,091,995	5,212,299
2,041,198	1,452,691	3,987,504
<u>5,789,044</u>	<u>8,401,573</u>	<u>108,067,064</u>
626,241	(633,157)	(36,563,189)
-	2,638,196	14,038,611
-	(2,437,691)	(14,038,611)
-	-	15,333,885
-	200,505	15,333,885
626,241	(432,652)	(21,229,304)
5,771,750	5,046,418	43,014,132
<u>\$ 6,397,991</u>	<u>\$ 4,613,766</u>	<u>\$ 21,784,828</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, 2018**

Net change in fund balances - total governmental funds \$ (21,229,304)

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	31,164,488	
Depreciation Expense	<u>(4,630,094)</u>	
Net		26,534,394

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

5,212,299

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:

(15,333,885)

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	-	
Prepaid debt insurance amortized	<u>(108,735)</u>	
Net		(108,735)

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:

(519,256)

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:

(34,010)

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

(2,947,080)

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:

(963,321)

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:

(4,682,361)

Change in net position of governmental activities - statement of activities

\$ (14,071,259)

The accompanying notes are an integral part of this statement.

**SAN YSIDRO SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2018**

	Agency Fund
	<hr/>
	Student Body Fund
	<hr/>
<b>ASSETS:</b>	
Cash on Hand and in Banks	\$ 37,162
Total Assets	<hr/> 37,162 <hr/>
<b>LIABILITIES:</b>	
Due to Student Groups	\$ 37,162
Total Liabilities	<hr/> 37,162 <hr/>
<b>NET POSITION:</b>	
Total Net Position	<hr/> \$ - <hr/>

The accompanying notes are an integral part of this statement.

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**A. Summary of Significant Accounting Policies**

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

**1. Reporting Entity**

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

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

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

**Manifestations of Oversight**

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

**Accounting for Fiscal Matters**

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

**Scope of Public Service and Financial Presentation**

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

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

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

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, 2018**

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

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

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

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

**b. Measurement Focus, Basis of Accounting**

**Government-wide and Fiduciary Fund Financial Statements:** These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

**3. Encumbrances**

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

4. Budgets and Budgetary Accounting

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

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

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

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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

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

b. Expenses/Expenditures

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

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

6. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

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

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

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

d. Compensated Absences

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



**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

e. Unearned Revenue

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

f. Interfund Activity

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

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

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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.

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, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

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.

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**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.

**11. Change in Accounting Policies**

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

**GASB 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 (OPEB). This statement replaces the requirements of GASB 45 and GASB 57. This statement establishes standards for recognizing and measuring OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also 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 for defined benefit OPEB.

The District provides a defined benefit OPEB plan that is not administered through a trust, but meets the criteria specified in GASB 75. As a result, the District has adjusted measurement of OPEB liability, OPEB expense, and related deferred outflows and inflows of resources in compliance with GASB 75. The change in accounting policies resulted in an adjustment to beginning net position in order to accurately reflect current period transactions. Additional note disclosures regarding OPEB liability, OPEB expense, and related deferred inflows and outflows of resources are located in Note O. Additional note disclosures regarding the adjustment to beginning net position resulting from this change in accounting policy are located in Note R.

**GASB 81 - Irrevocable Split-Interest Agreements**

The primary 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. This statement requires that a government receiving resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This statement also 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. In addition, this statement requires that a government recognize revenue when the resources become applicable to the reporting period.

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The District does not receive resources pursuant to an irrevocable split-interest agreement, nor does the District have any beneficial interests in irrevocable split interest agreements as of June 30, 2018. The District has adopted the accounting policies in the event that the District obtains a beneficial interest in a future split-interest agreement. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 81.

GASB 85 - Omnibus 2017

The primary objective of this statement is to address practice issues that were 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). The statement was issued as a clarifying measure to previously issued statements.

The implementation of this statement resulted in a change in how the District recognizes on-behalf payments for the special funding situation for CalSTRS pension. The results of implementing these accounting policies did not have a material effect on the financial statements and did not affect previous periods.

GASB 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 proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial statements for debt that is defeased in substance.

The District does not have any in-substance defeasance of debt as of June 30, 2018. The District has adopted the accounting policies in the event that the District extinguishes debt through use of a legal extinguishment or through an in-substance defeasance in a future period. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 86.

**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

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**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 (\$23,262,234 as of June 30, 2018). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$23,262,234. 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 (\$62,577 as of June 30, 2018) and in the revolving fund (\$13,433) are insured up to \$250,000 by the Federal Depository Insurance Corporation.

**3. Cash with Fiscal Agent**

The District's cash with fiscal agent at June 30, 2018 are shown below.

Investment or Investment Type	Average Days to Maturity	Account Balance
U.S. Treasury Obligations	<30 Days	\$ 375
Money Market Funds	<30 Days	3,544,045
Total Cash with Fiscal Agent		<u>\$ 3,544,420</u>

**SAN YSIDRO SCHOOL DISTRICT**  
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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.

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.

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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, 2018, the District's bank balances (including revolving cash and cash with fiscal agent) of \$3,544,420 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.

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

**SAN YSIDRO SCHOOL DISTRICT**  
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**D. Accounts Receivable**

As of June 30, 2018, accounts receivable consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Federal Government				
Title I	\$ 46,963	\$ -	\$ -	\$ 46,963
Special Education	800,023	-	-	800,023
Child Nutrition	-	-	391,768	391,768
Other Federal Programs	22,549	-	2,702	25,251
State Government				
LCFF State Aid	111,955	-	-	111,955
Lottery	201,789	-	-	201,789
Child Care Food Program	-	-	62,921	62,921
Child Nutrition	-	-	32,501	32,501
State Preschool	-	-	23,067	23,067
Local Sources				
Interest	69,977	22	20,388	90,387
After School Program	63,439	-	-	63,439
Other Local Sources	34,653	-	49,682	84,335
Total	<u>\$ 1,351,348</u>	<u>\$ 22</u>	<u>\$ 583,029</u>	<u>\$ 1,934,399</u>

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

**E. Capital Assets**

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 45,896,267	\$ -	\$ -	\$ 45,896,267
Work in progress	25,042,008	31,164,489	-	56,206,497
Total capital assets not being depreciated	<u>70,938,275</u>	<u>31,164,489</u>	<u>-</u>	<u>102,102,764</u>
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	<u>142,185,530</u>	<u>-</u>	<u>-</u>	<u>142,185,530</u>
Less accumulated depreciation for:				
Buildings	(32,659,831)	(3,361,425)	-	(36,021,256)
Improvements	(10,356,112)	(1,078,696)	-	(11,434,808)
Equipment	(3,706,012)	(189,973)	-	(3,895,985)
Total accumulated depreciation	<u>(46,721,955)</u>	<u>(4,630,094)</u>	<u>-</u>	<u>(51,352,049)</u>
Total capital assets being depreciated, net	<u>95,463,575</u>	<u>(4,630,094)</u>	<u>-</u>	<u>90,833,481</u>
Governmental activities capital assets, net	<u>\$ 166,401,850</u>	<u>\$ 26,534,395</u>	<u>\$ -</u>	<u>\$ 192,936,245</u>

Depreciation was charged to functions as follows:

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



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**F. Interfund Balances and Activities**

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

Balances due to and due from other funds at June 30, 2018, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 103,459	Indirect costs and OPEB
General Fund	Other Governmental Funds	605,150	To cover cash deficit
Other Governmental Funds	Other Governmental Funds	98,699	To cover cash deficit
Other Governmental Funds	Other Governmental Funds	54,117	Reclassification of deposit
	Total	<u>\$ 861,425</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, 2018, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	General Fund	\$ 253,630	Debt payment
General Fund	Other Governmental Funds	93,510	To cover cash deficit
General Fund	Building Fund	11,146,785	Modernization projects
General Fund	Other Governmental Funds	106,995	COPs debt service payment
Other Governmental Funds	Other Governmental Funds	2,437,691	COPs debt service payment
	Total	<u>\$ 14,038,611</u>	

**G. Accounts Payable**

As of June 30, 2018, accounts payable consisted of:

	Major Governmental Funds		Nonmajor	Total
	General Fund	Building Fund	Governmental Funds	Governmental Funds
Vendor payables	\$ 637,576	\$ 204	\$ 262,852	\$ 900,632
LCFF overpayment	5,250,938	-	-	5,250,938
Payroll and related liabilities	23,758	-	54,185	77,943
Pension related liabilities	139,751	-	19,536	159,287
Total	<u>\$ 6,052,023</u>	<u>\$ 204</u>	<u>\$ 336,573</u>	<u>\$ 6,388,800</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 2015-16 and 2016-17 overpayments.

As of June 30, 2018, the District has not been invoiced by the state for the 2015-16 and 2016-17 LCFF overpayments; consequently, the LCFF accounts payable balance due to the state has not changed for the current fiscal year. The District's legal counsel has been negotiating a settlement on the LCFF balance due to the state; however, no definitive agreement or settlement has been derived as of the date of this audit report. Negotiations are continuing on this matter between the District's legal counsel and the state with a settlement to be established and accepted by the next fiscal year.

**SAN YSIDRO SCHOOL DISTRICT**  
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**H. Unearned Revenue**

As of June 30, 2018, unearned revenue consisted of:

	General Fund	Nonmajor Governmental Funds	Total
Federal Government			
Title II Supporting Effective Instruction	\$ 259,972	\$ -	\$ 259,972
Title III LEP	65,916	-	65,916
Head Start Program	-	36,150	36,150
Child Nutrition Team Nutrition Grant	-	11,596	11,596
Other Categorical Programs	5,875	-	5,875
State Government			
State Preschool	-	82,668	82,668
Other Categorical Programs	500	-	500
Local Sources			
Digital Promise Grant	181,918	-	181,918
Total	<u>\$ 514,181</u>	<u>\$ 130,414</u>	<u>\$ 644,595</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. As of June 30, 2018, the District has not entered into any short term debt agreements.

**J. Components of Ending Fund Balance**

As of June 30, 2018, 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	\$ 13,433	\$ -	\$ -	\$ -	\$ 13,433
Stores Inventories	-	-	-	30,322	30,322
Prepaid Expenses	8,000	-	-	-	8,000
Total Nonspendable	<u>21,433</u>	<u>-</u>	<u>-</u>	<u>30,322</u>	<u>51,755</u>
Restricted Fund Balances					
Educational Programs	4,906,419	-	-	-	4,906,419
Capital Projects	434,865	4,636	-	4,438,570	4,878,071
Debt Service	-	-	6,397,991	-	6,397,991
Medi-Cal	100,590	-	-	-	100,590
Child Development	-	-	-	144,874	144,874
Total Restricted	<u>5,441,874</u>	<u>4,636</u>	<u>6,397,991</u>	<u>4,583,444</u>	<u>16,427,945</u>
Assigned Fund Balances					
Declining Enrollment	2,500,000	-	-	-	2,500,000
Litigation	424,504	-	-	-	424,504
Total Assigned	<u>2,924,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,924,504</u>
Unassigned Fund Balances					
For Economic Uncertainty	2,330,743	-	-	-	2,330,743
Other Unassigned	49,881	-	-	-	49,881
Total Unassigned	<u>2,380,624</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,380,624</u>
Total Fund Balance	<u>\$ 10,768,435</u>	<u>\$ 4,636</u>	<u>\$ 6,397,991</u>	<u>\$ 4,613,766</u>	<u>\$ 21,784,828</u>

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**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, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 168,617,375	\$ 5,067,983	\$ 4,649,726	\$ 169,035,632	5,020,331
Capital leases	1,988,254	-	152,554	1,835,700	190,835
Certificates of participation	38,749,544	15,413,726	1,197,546	52,965,724	1,272,546
QZAB Bond	1,268,150	-	253,630	1,014,520	253,630
Total OPEB liability	13,730,460	733,174	-	14,463,634	-
Net pension liability	46,829,594	10,734,863	-	57,564,457	-
Compensated absences *	435,121	34,010	-	469,131	469,131
Total governmental activities	<u>\$ 271,618,498</u>	<u>\$ 31,983,756</u>	<u>\$ 6,253,456</u>	<u>\$ 297,348,798</u>	<u>\$ 7,206,473</u>

\* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General Fund

**2. 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, 2018, as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 190,835	\$ 57,997	\$ 248,832
2020	197,074	51,758	248,832
2021	203,516	45,316	248,832
2022	210,170	38,662	248,832
2023	217,041	31,791	248,832
2024-2028	817,064	53,847	870,911
Totals	<u>\$ 1,835,700</u>	<u>\$ 279,371</u>	<u>\$ 2,115,071</u>

**SAN YSIDRO SCHOOL DISTRICT**  
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3. General Obligation Bonds

General obligation bonds as of June 30, 2018, consisted of:

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

	Beginning Balance	Increases	Decreases	Ending Balance
1997 Election Series D	\$ 16,384,363	\$ -	\$ 962,846	\$ 15,421,517
1997-D Bond Premium	255,125	-	19,625	235,500
1997-D Accreted Interest	13,624,245	1,515,612	737,154	14,402,703
1997 Election Series E	15,117,741	-	980,000	14,137,741
1997-E Bond Premium	163,249	-	10,583	152,666
1997-E Accreted Interest	8,492,943	1,193,358	-	9,686,301
1997 Election Series F	580,702	-	-	580,702
1997-F Bond Premium	75,294	-	-	75,294
1997-F Accreted Interest	470,678	117,670	-	588,348
1997 Election Series G	28,990,884	-	-	28,990,884
1997-G Bond Premium	769,227	-	30,770	738,457
1997-G Accreted Interest	8,689,814	2,180,490	-	10,870,304
2012 Refunding Bonds	21,435,000	-	1,805,000	19,630,000
2012 Bond Premium	1,348,724	-	103,748	1,244,976
2015 Refunding Bonds	45,358,442	-	-	45,358,442
2015 Bond Premium	1,334,547	-	-	1,334,547
2015 Accreted Interest	5,526,397	60,853	-	5,587,250
Total GO Bonds	<u>\$ 168,617,375</u>	<u>\$ 5,067,983</u>	<u>\$ 4,649,726</u>	<u>\$ 169,035,632</u>

The annual requirements to amortize the bonds outstanding at June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total
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	4,715,024	773,869	1,804,976	7,293,869
2024-2028	23,930,141	1,596,149	17,529,859	43,056,149
2029-2033	16,737,397	92,703	36,047,603	52,877,703
2034-2038	17,851,382	-	47,083,618	64,935,000
2039-2043	16,183,475	-	67,656,525	83,840,000
2044-2048	22,630,775	-	88,929,225	111,560,000
2049-2053	4,367,898	-	21,447,102	25,815,000
Totals	<u>\$ 124,119,286</u>	<u>\$ 6,535,422</u>	<u>\$ 284,785,714</u>	<u>\$ 415,440,422</u>

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

**SAN YSIDRO SCHOOL DISTRICT**  
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4. Certificates of Participation (COPs)

Certificates of Participation (COPs) as of June 30, 2018, consisted of:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2007 COPs	11/29/2007	3.50 - 4.75%	09/01/2037	\$ 7,330,000
2012 COPs	01/31/2012	2.00 - 6.20%	09/01/2041	10,409,715
2015 Refunding COPs	08/18/2015	1.75 - 5.00%	09/01/2034	21,585,000
2016 Refunding COPs	09/29/2016	2.00 - 4.00%	09/01/2035	6,505,000
2017 COPs	08/02/2017	5.00%	09/01/2047	14,000,000
Total COPs				<u>\$ 59,829,715</u>

	Beginning Balance	Increases	Decreases	Ending Balance
2007 COPs	\$ 105,000	\$ -	\$ 105,000	\$ -
2012 COPs	10,174,715	-	60,000	10,114,715
2012 COPs Discount	(32,350)	-	(1,294)	(31,056)
2012 COPs Accreted Interest	338,369	79,841	-	418,210
2015 Refunding COPs	19,540,000	-	890,000	18,650,000
2015 COPs Premium	1,411,139	-	64,274	1,346,865
2016 Refunding COPs	6,505,000	-	35,000	6,470,000
2016 COPs Premium	707,671	-	3,808	703,863
2017 COPs	-	14,000,000	-	14,000,000
2017 COPs Premium	-	1,333,885	40,758	1,293,127
Total COPs	<u>\$ 38,749,544</u>	<u>\$ 15,413,726</u>	<u>\$ 1,197,546</u>	<u>\$ 52,965,724</u>

The annual requirements to amortize the COPs outstanding at June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	Principal	Interest	Accreted Interest	Total
2019	\$ 1,165,000	\$ 2,131,692	\$ -	\$ 3,296,692
2020	1,225,000	2,074,331	-	3,299,331
2021	1,325,000	2,039,425	-	3,364,425
2022	1,415,000	2,012,082	-	3,427,082
2023	1,505,000	1,981,154	-	3,486,154
2024-2028	8,785,000	9,057,892	-	17,842,892
2029-2033	10,760,000	7,433,040	-	18,193,040
2034-2038	11,080,000	4,762,150	-	15,842,150
2039-2043	5,904,715	2,492,855	1,335,285	9,732,855
2044-2048	6,070,000	960,000	-	7,030,000
Totals	<u>\$ 49,234,715</u>	<u>\$ 34,944,621</u>	<u>\$ 1,335,285</u>	<u>\$ 85,514,621</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.

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

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

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

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

**5. QZAB Bonds**

QZAB Bonds as of June 30, 2018, 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	\$ 1,268,150	\$ -	\$ 253,630	\$ 1,014,520
Total Other GLTD	<u>\$ 1,268,150</u>	<u>\$ -</u>	<u>\$ 253,630</u>	<u>\$ 1,014,520</u>

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

Year Ending June 30,	Principal	Interest	Accreted Interest	Total
2019	\$ 253,630	\$ -	\$ -	\$ 253,630
2020	253,630	-	-	253,630
2021	253,630	-	-	253,630
2022	253,630	-	-	253,630
Totals	<u>\$ 1,014,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,014,520</u>

**SAN YSIDRO SCHOOL DISTRICT**  
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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.

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	COPS 2017
Total Interest	\$ 7,118,495	\$ 10,853,144	\$ 9,324,060	\$ 3,376,150	\$ 16,255,361
Less Premium	(930)	-	(1,558,824)	(707,671)	(1,333,885)
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>	<u>14,921,476</u>
Par Amount of COPs	\$ 7,330,000	\$ 10,409,715	\$ 21,585,000	\$ 6,505,000	\$ 14,000,000
Periods	30	30	20	21	30
Effective Interest Rate	3.24%	3.49%	1.80%	1.95%	3.55%

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**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 component units of the District for financial reporting purposes.

The JPAs arrange for and provide workers' compensation, health, and property and liability insurance for its member school districts. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPAs independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

The Districts share of combined unaudited financial information for the year ended June 30, 2018 is as follows:

	SDCSRM (Unaudited) June 30, 2018	FBC (Unaudited) June 30, 2018	Total (Unaudited) June 30, 2018
Total Assets and Deferred Outflows of Resources	\$ 1,760,558	\$ 437,390	\$ 2,197,948
Total Liabilities and Deferred Inflows of Resources	887,857	48,183	936,040
Total Fund Balance	<u>\$ 872,701</u>	<u>\$ 389,207</u>	<u>\$ 1,261,908</u>
Total Revenues	\$ 282,866	\$ 313,373	\$ 596,239
Total Expenses	126,980	305,832	432,812
Net Change in Fund Balance	<u>\$ 155,886</u>	<u>\$ 7,541</u>	<u>\$ 163,427</u>

**M. Risk Management**

The District is exposed to risk of losses due to:

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

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

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

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



**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**N. Pension Plans**

**1. General Information About the Pension Plans**

**a. Plan Descriptions**

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

**b. Benefits Paid**

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

The Plans' provisions and benefits in effect at June 30, 2018 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly Benefits as a % of Eligible Compensation	1.1-2.4%	1.0-2.4%*
Required Employee Contribution Rates (at June 30, 2018)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2018)	14.430%	14.430%
Required State Contribution Rates (at June 30, 2018)	7.049%	7.049%

\*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 Jan. 1, 2013	On or After Jan. 1, 2013
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%	1.1-2.5%*
Required Employee Contribution Rates (at June 30, 2018)	7.000%	6.500%
Required Employer Contribution Rates (at June 30, 2018)	15.531%	15.531%

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

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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c. Contributions

CalSTRS

For the measurement period ended June 30, 2017 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 9.205% (if hired on or after January 1, 2013) or 10.25% (if hired before January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 12.58% of creditable compensation for the measurement period ended June 30, 2017 and 14.43% for the fiscal year ended June 30, 2018. 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.

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 ending June 30, 2017 (measurement date), employees hired prior to January 1, 2013 paid in 7.00%, employees hired on or after January 1, 2013 paid in 6.00%, and the employer contribution rate was 13.888% of covered payroll. For the fiscal year ending June 30, 2018, employees hired prior to January 1, 2013 contributed 7.00%, employees hired on or after January 1, 2013 contributed 6.50%, and the employer's contribution rate was 15.531%.

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, 2017 (measurement date) the State contributed 7.049% of salaries creditable to CalSTRS. In accordance with GASB 85 the District recorded these contributions as revenue and expense in the fund financial statements based on contributions made for the measurement period (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). 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. Contributions reported each fiscal year are based on the District's proportionate share of the States contribution for the measurement period.

Contributions made by the State on behalf of the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2016	4.410%	\$ 907,604
2017	5.530%	1,264,523
2018	7.049%	1,706,983

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The State's pension expense associated with District employees for the past three fiscal years are as follows:

Year Ended June 30,	On Behalf Pension Expense
2016	\$ 1,733,602
2017	3,120,816
2018	1,037,278

d. Contributions Recognized

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 2,874,486	\$ 1,314,923	\$ 4,189,409
Contributions - State On Behalf Payments	1,706,983	-	1,706,983
Total Contributions	<u>\$ 4,581,469</u>	<u>\$ 1,314,923</u>	<u>\$ 5,896,392</u>

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

As of June 30, 2018 the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	CalSTRS	CalPERS	Total
Proportionate Share of Net Pension Liability - Governmental	<u>\$ 39,966,263</u>	<u>\$ 17,598,194</u>	<u>\$ 57,564,457</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to measurement date June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, as actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2017 and June 30, 2018 were as follows:

	CalSTRS		
	District's Proportionate Share	State's Proportionate Share	Total For District Employees
Proportion June 30, 2017	0.0415%	0.0237%	0.0652%
Proportion June 30, 2018	0.0432%	0.0257%	0.0689%
Change in Proportion	<u>0.0017%</u>	<u>0.0020%</u>	<u>0.0037%</u>
	CalPERS		
	District's Proportionate Share		
Proportion June 30, 2017	0.0673%		
Proportion June 30, 2018	0.0737%		
Change in Proportion	<u>0.0064%</u>		

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

a. Pension Expense

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ 6,428,924	\$ 4,305,940	\$ 10,734,864
State On Behalf Pension Expense	1,037,278	-	1,037,278
Employer Contributions to Pension Expense	3,494,374	1,659,174	5,153,548
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(696,930)	(344,859)	(1,041,789)
Differences between actual and expected experiences	(137,946)	(124,290)	(262,236)
Changes in assumptions	(6,910,411)	(2,741,859)	(9,652,270)
Changes in proportionate share	(1,133,024)	(792,563)	(1,925,587)
Net difference between projected and actual earnings	2,697	900,272	902,969
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	(3,540)	-	(3,540)
Changes in assumptions	-	(145,687)	(145,687)
Changes in proportionate share	(113,034)	(55,571)	(168,605)
Net difference between projected and actual earnings	3,782,610	726,352	4,508,962
Total Pension Expense	\$ 5,750,998	\$ 3,386,909	\$ 9,137,907

b. Deferred Outflows and Inflows of Resources

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources			
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 3,494,374	\$ 1,659,174	\$ 5,153,548
Differences between actual and expected experience	137,946	746,250	884,196
Changes in assumptions	6,910,411	2,741,859	9,652,270
Changes in employer's proportionate share	1,133,024	1,676,392	2,809,416
Net difference between projected and actual earnings	6,733	2,338,845	2,345,578
Total Deferred Outflows of Resources	\$ 11,682,488	\$ 9,162,520	\$ 20,845,008
Deferred Inflows of Resources			
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (7,133)	\$ -	\$ (7,133)
Changes in assumptions	-	(291,375)	(291,375)
Changes in employer's proportionate share	(236,010)	(111,141)	(347,151)
Net difference between projected and actual earnings	(3,782,610)	(1,940,577)	(5,723,187)
Total Deferred Inflows of Resources	\$ (4,025,753)	\$ (2,343,093)	\$ (6,368,846)

**SAN YSIDRO SCHOOL DISTRICT**  
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Pension contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2019. 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,	Governmental Activities					
	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses	
	CalSTRS	CalPERS	CalSTRS	CalPERS		
2019	\$ 5,542,417	\$ 3,987,030	\$ (1,062,226)	\$ (1,141,737)	\$	7,325,484
2020	2,048,043	2,327,856	(1,061,008)	(534,623)		2,780,268
2021	2,046,685	1,830,377	(956,868)	(333,366)		2,586,828
2022	2,045,343	1,017,257	(945,651)	(333,367)		1,783,582
Total	\$ 11,682,488	\$ 9,162,520	\$ (4,025,753)	\$ (2,343,093)	\$	14,476,162

c. Actuarial Assumptions

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

Valuation Date Measurement Date Actuarial Cost Method Actuarial Assumptions:	CalSTRS	CalPERS
	June 30, 2016 June 30, 2017 Entry Age Normal	June 30, 2016 June 30, 2017 Entry Age Normal
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.75%
Wage Growth	3.50%	3.00%
Projected Salary Increase	0.5% - 6.4% (1)	3.10% - 9.00% (1)
Investment Rate of Return	7.10% (2)	7.50% (2)
Mortality	0.073%-22.86% (3)	0.466%-32.536% (3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) RP2000 series tables adjusted to fit CalSTRS/CalPERS specific experience.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.1000% for CalSTRS and 7.1500% 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 CalPERS and CalSTRS websites.

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

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

**SAN YSIDRO SCHOOL DISTRICT**  
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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 valuation 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 06/30/2017	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**  
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CalPERS

Asset Class	Assumed Allocation 06/30/2017	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

(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:

	CalSTRS	CalPERS
1% Decrease	6.10%	6.15%
Net Pension Liability	\$ 58,683,163	\$ 25,892,583
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 39,966,263	\$ 17,598,194
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 24,776,231	\$ 10,717,304

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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f. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS - Governmental Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2017 (Previously Reported)	\$ 175,995,872	\$ 123,273,510	\$ 52,722,362	\$ 19,185,021	\$ 33,537,341
Changes for the year:					
Change in proportionate share	9,973,769	6,985,970	2,987,799	1,571,522	1,416,277
Service cost	4,176,823	-	4,176,823	1,556,204	2,620,619
Interest	13,932,155	-	13,932,155	5,190,855	8,741,300
Differences between expected and actual experience	274,827	-	274,827	102,395	172,432
Change in assumptions	13,767,535	-	13,767,535	5,129,520	8,638,015
Contributions:					
Employer	-	2,874,482	(2,874,482)	(1,070,977)	(1,803,505)
Employee	-	2,370,046	(2,370,046)	(883,034)	(1,487,012)
State On Behalf	-	1,706,980	(1,706,980)	(635,988)	(1,070,992)
Net investment income	-	17,333,524	(17,333,524)	(6,458,140)	(10,875,384)
Other income	-	49,596	(49,596)	(18,479)	(31,117)
Benefit payments, including refunds of employee contributions	(9,575,933)	(9,575,933)	-	-	-
Administrative expenses	-	(125,613)	125,613	46,801	78,812
Borrowing costs	-	(39,921)	39,921	14,874	25,047
Other expenses	-	(7,061)	7,061	2,631	4,430
Net Changes	32,549,176	21,572,070	10,977,106	4,548,184	6,428,922
Balance at June 30, 2018	\$ 208,545,048	\$ 144,845,580	\$ 63,699,468	\$ 23,733,205	\$ 39,966,263



**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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CalPERS - Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017 (Previously Reported)	\$ 50,922,986	\$ 37,630,733	\$ 13,292,253
Changes for the year:			
Adjustment for change in proportionate share	4,853,528	3,586,628	1,266,900
Service cost	1,497,866	-	1,497,866
Interest	4,216,491	-	4,216,491
Differences between expected and actual experience	392,072	-	392,072
Changes in assumptions	3,427,324	-	3,427,324
Contributions - Employer	-	1,314,917	(1,314,917)
Contributions - Employee	-	661,565	(661,565)
Net plan to plan resource movement	-	(100)	100
Net investment income	-	4,579,139	(4,579,139)
Benefit payments, including refunds of employee contributions	(2,745,892)	(2,745,892)	-
Administrative expenses	-	(60,809)	60,809
Net Changes	11,641,389	7,335,448	4,305,941
Balance at June 30, 2018	\$ 62,564,375	\$ 44,966,181	\$ 17,598,194

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

O. Postemployment Benefits Other Than Pension Benefits

1. General Information about the OPEB Plan

Plan Description

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

Plan Eligibility

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

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

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

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

Employees Covered by Benefit Terms

At June 30, 2018, the following retirees were covered by the benefit terms:

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

2. Total OPEB Liability

The District's total OPEB liability of \$14,463,634 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

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

Inflation	2.80% per annum
Salary Increases	3.00% per annum, in aggregate
Discount Rate	3.40% per annum
Healthcare Cost Trend Rates	6.50% decreasing to 5.00%
Retiree's Share of Costs	0.00% of projected premiums

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

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

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

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 13,730,460
Changes for the year:	
Service cost	661,989
Interest	482,353
Benefit payments	(411,168)
Net changes	733,174
Balance at June 30, 2018	\$ 14,463,634

There were no changes in benefit terms or assumptions for the fiscal year ended June 30, 2018.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.40%) or 1-percentage-point-higher (4.40%) than the current discount rate:

	1% Decrease (2.40%)	Discount Rate (3.40%)	1% Increase (4.40%)
Total OPEB Liability	\$ 15,810,497	\$ 14,463,634	\$ 13,223,409

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

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

	1% Decrease 5.50% decreasing to 4.00%	Healthcare Cost Trend Rate 6.50% decreasing to 5.00%	1% Increase 7.50% decreasing to 6.00%
Total OPEB Liability	\$ 12,837,383	\$ 14,463,634	\$ 16,361,569

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

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

For the year ended June 30, 2018 the District recognized OPEB expense of \$1,144,342. At June 30, 2018 the District reported deferred outflows of resources related to the following sources:

	Deferred Outflows of Resources
Contributions made subsequent to measurement date	\$ 181,021

At June 30, 2018 the District did not report any deferred inflows of resources relating to OPEB.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense during the fiscal year ending June 30, 2019.

P. Deferred Outflows of Resources

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

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

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

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.

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

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

A summary of the deferred outflows of resources as of June 30, 2018 is as follows:

Description	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
2012 Loss on Refunding Bond	\$ 1,621,724	\$ -	\$ 124,748	\$ 1,496,976
2015 Loss on Refunding Bond	11,601,734	-	362,544	11,239,190
2015 Loss on Refunding COPs	1,037,772	-	57,654	980,118
2016 Loss on Refunding COPs	640,586	-	30,748	609,838
Prepaid Debt Insurance	1,151,757	-	108,735	1,043,022
Pension Related	8,866,095	20,466,570	8,487,657	20,845,008
OPEB Related	411,168	181,021	411,168	181,021
Total Deferred Outflows of Resources	\$ 25,330,836	\$ 20,647,591	\$ 9,583,254	\$ 36,395,173

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30,	Refunding Losses	Prepaid Debt Insurance	Pension Related	OPEB Related	Total
2019	\$ 575,694	\$ 108,735	\$ 9,529,447	\$ 181,021	\$ 10,394,897
2020	575,694	108,735	4,375,899	-	5,060,328
2021	575,694	108,735	3,877,062	-	4,561,491
2022	575,694	108,735	3,062,600	-	3,747,029
2023	575,694	108,735	-	-	684,429
2024-2028	2,878,470	499,347	-	-	3,377,817
2029-2033	2,504,226	-	-	-	2,504,226
2034-2038	2,076,646	-	-	-	2,076,646
2039-2043	1,812,720	-	-	-	1,812,720
2044-2048	1,812,720	-	-	-	1,812,720
2049-2053	362,870	-	-	-	362,870
Totals	\$ 14,326,122	\$ 1,043,022	\$ 20,845,008	\$ 181,021	\$ 36,395,173

**Q. Deferred Inflows of Resources**

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

A summary of the deferred outflows of resources as of June 30, 2018 is as follows:

Description	Beginning Balance	Current Year Additions	Current Year Amortization	Ending Balance
Pension Related	\$ 2,177,716	\$ 6,395,094	\$ 2,203,964	\$ 6,368,846
Total Deferred Inflows of Resources	\$ 2,177,716	\$ 6,395,094	\$ 2,203,964	\$ 6,368,846

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**R. Adjustment to Beginning Net Position**

During the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Implementation of GASB Statement No. 75 resulted in a change in calculations of total OPEB liability as well as deferred outflows and deferred inflows of resources associated with OPEB. In addition, the District determined that OPEB would fully be accounted for in the government-wide financial statements. The result of applying the change in accounting policy is an adjustment to beginning net position on the government wide financial statements.

A summary of adjustments to beginning balance are as follows:

	Government Wide Financial Statements
Beginning Net Position - Originally Stated	\$ (31,253,752)
Adjustments for Accounting Policy Change:	
Total OPEB Liability	(9,360,607)
Deferred Outflows of Resources	411,168
Total Adjustments	<u>(8,949,439)</u>
Beginning Net Position - As Restated	<u>\$ (40,203,191)</u>

**S. Commitments and Contingencies**

**Litigation**

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

**State and Federal Allowances, Awards, and Grants**

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

**Construction Commitments**

As of June 30, 2018 the District had the following commitments with respect to unfinished capital projects:

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

\*Expected date of final completion subject to change.

**SAN YSIDRO SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**T. 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, 2019. Those newly implemented pronouncements are as follows:

GASB 83 - Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

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

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

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

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

## 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, 2018

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 25,053,346	\$ 23,208,280	\$ 22,580,982	\$ (627,298)
Education Protection Account Funds	6,221,416	5,465,455	4,131,230	(1,334,225)
Local Sources	15,694,360	17,993,545	19,647,161	1,653,616
Federal Revenue	3,004,268	4,363,178	3,334,711	(1,028,467)
Other State Revenue	2,590,486	2,998,176	4,015,787	1,017,611
Other Local Revenue	3,163,662	3,270,861	3,554,938	284,077
Total Revenues	<u>55,727,538</u>	<u>57,299,495</u>	<u>57,264,809</u>	<u>(34,686)</u>
Expenditures:				
Current:				
Certificated Salaries	23,735,752	24,371,666	25,196,722	(825,056)
Classified Salaries	8,846,702	10,417,520	10,878,124	(460,604)
Employee Benefits	9,640,114	10,981,826	13,316,913	(2,335,087)
Books And Supplies	3,881,155	3,613,373	3,685,601	(72,228)
Services And Other Operating Expenditures	9,630,950	10,148,998	9,647,691	501,307
Other Outgo	661,470	161,470	229,166	(67,696)
Direct Support/Indirect Costs	-	-	(98,338)	98,338
Capital Outlay	257,062	307,062	2,368,570	(2,061,508)
Debt Service:				
Principal	-	152,554	372,458	(219,904)
Interest	-	321,278	493,615	(172,337)
Total Expenditures	<u>56,653,205</u>	<u>60,475,747</u>	<u>66,090,522</u>	<u>(5,614,775)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(925,667)</u>	<u>(3,176,252)</u>	<u>(8,825,713)</u>	<u>(5,649,461)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	253,630	253,630
Transfers Out	-	-	(11,600,920)	(11,600,920)
Other Sources	15,333,885	329,524	15,333,885	15,004,361
Total Other Financing Sources (Uses)	<u>15,333,885</u>	<u>329,524</u>	<u>3,986,595</u>	<u>3,657,071</u>
Net Change in Fund Balance	14,408,218	(2,846,728)	(4,839,118)	(1,992,390)
Fund Balance, July 1	15,607,553	15,607,553	15,607,553	-
Fund Balance, June 30	<u>\$ 30,015,771</u>	<u>\$ 12,760,825</u>	<u>\$ 10,768,435</u>	<u>\$ (1,992,390)</u>

See accompanying notes to required supplementary information.

**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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.0432%	0.0415%	0.0415%	0.0423%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 39,966,263	\$ 33,537,341	\$ 27,965,531	\$ 24,714,443	\$ 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	23,733,438	19,185,012	14,890,174	15,048,038	N/A	N/A	N/A	N/A	N/A	N/A
Total	\$ 63,699,701	\$ 52,722,353	\$ 42,855,705	\$ 39,762,481	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 22,849,650	\$ 20,601,258	\$ 19,195,832	\$ 18,740,145	\$ 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	174.91%	162.79%	145.69%	131.88%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.04%	74.02%	76.52%	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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 3,494,374	\$ 2,874,486	\$ 2,210,515	\$ 1,704,590	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(3,494,374)	(2,874,486)	(2,210,515)	(1,704,590)	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
District's covered-employee payroll	\$ 24,216,036	\$ 22,849,650	\$ 20,601,258	\$ 19,195,832	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%	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 THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.0737%	0.0673%	0.0598%	0.0623%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 17,598,194	\$ 13,292,253	\$ 8,815,645	\$ 7,067,431	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 9,468,052	\$ 8,150,089	\$ 6,650,956	\$ 6,545,787	\$ 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	185.87%	163.09%	132.55%	107.97%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A	N/A

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See Accompanying Notes to Required Supplementary Information

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 1,659,174	\$ 1,314,923	\$ 965,541	\$ 782,884	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(1,659,174)	(1,314,923)	(965,541)	(782,884)	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
District's covered-employee payroll	\$ 10,682,982	\$ 9,468,052	\$ 8,150,089	\$ 6,650,956	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%	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 CHANGES IN THE DISTRICT'S**  
**TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**SYSD RETIREE HEALTH PLAN**  
**LAST TEN FISCAL YEARS \***

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability:										
Service cost	\$ 661,989	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest	482,353	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions or other inputs	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(411,168)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	733,174	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	13,730,460	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	\$ 14,463,634	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Covered-employee payroll	\$ 30,005,000	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Total OPEB liability as a percentage of covered-employee payroll	48.20%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

**SAN YSIDRO SCHOOL DISTRICT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018

Excess of Expenditures Over Appropriations

As of June 30, 2018, expenditures exceeded appropriations in individual budgeted funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:		
Certificated Salaries    \$	825,056	The District underestimated the increase from bargaining agreement increases.
Classified Salaries	460,604	The District underestimated the increase from bargaining agreement increases.
Employee Benefits	2,335,087	The District underestimated the increase from bargaining agreement increases.
Books & Supplies	72,228	The District underestimated the costs of books and supplies.
Other Outgo	67,696	The District underestimated the cost of tuition to the county office of education.
Capital Outlay	2,061,508	The District underestimated the cost of equipment replacement.
Debt Service Principal	(219,904)	The District did not budget correct amounts for debt service payments.
Debt Service Interest	(172,337)	The District did not budget correct amounts for debt service payments.

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

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

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

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

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

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

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

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

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

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

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

2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65%. In 2018 the discount rate was changed from 7.65% to 7.15%.



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

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

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

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

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

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

- 1) Benefit Changes: In 2018 there were no changes to benefits.
- 2) Changes in Assumptions: In 2018 there were no changes in assumptions.
- 3) No assets are accumulated in a trust that meets the criteria in GASB Statement No 75 Paragraph 4.
- 4) The following are the discount rates used for each period:

Year	Discount Rate
2018	3.40%

## 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, 2018

	Special Revenue Funds	Debt Service Fund Blended Component Unit	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS:</b>				
Cash in County Treasury	\$ 394,989	\$ -	\$ 4,627,463	\$ 5,022,452
Cash on Hand and in Banks	1,000	-	-	1,000
Cash with a Fiscal Agent/Trustee	-	-	53,860	53,860
Accounts Receivable	564,740	-	18,289	583,029
Due from Other Funds	98,699	-	54,117	152,816
Stores Inventories	30,322	-	-	30,322
Total Assets	<u>1,089,750</u>	<u>-</u>	<u>4,753,729</u>	<u>5,843,479</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 75,530	\$ -	\$ 261,043	\$ 336,573
Due to Other Funds	708,609	-	54,117	762,726
Unearned Revenue	130,414	-	-	130,414
Total Liabilities	<u>914,553</u>	<u>-</u>	<u>315,160</u>	<u>1,229,713</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	30,322	-	-	30,322
Restricted Fund Balances	144,875	-	4,438,569	4,583,444
Total Fund Balance	<u>175,197</u>	<u>-</u>	<u>4,438,569</u>	<u>4,613,766</u>
Total Liabilities and Fund Balances	<u>\$ 1,089,750</u>	<u>\$ -</u>	<u>\$ 4,753,729</u>	<u>\$ 5,843,479</u>

**SAN YSIDRO SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Debt Service Fund Blended Component Unit	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>				
Federal Revenue	\$ 2,393,181	\$ -	\$ -	\$ 2,393,181
Other State Revenue	1,370,282	-	-	1,370,282
Other Local Revenue	163,679	-	3,841,274	4,004,953
Total Revenues	<u>3,927,142</u>	<u>-</u>	<u>3,841,274</u>	<u>7,768,416</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	1,081,962	-	-	1,081,962
Instruction - Related Services	285,926	-	-	285,926
Pupil Services	2,826,572	-	-	2,826,572
General Administration	98,338	-	58,286	156,624
Plant Services	57,841	-	91,157	148,998
Capital Outlay	85,733	-	1,271,072	1,356,805
<b>Debt Service:</b>				
Principal	-	985,000	106,995	1,091,995
Interest	-	1,452,691	-	1,452,691
Total Expenditures	<u>4,436,372</u>	<u>2,437,691</u>	<u>1,527,510</u>	<u>8,401,573</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(509,230)</u>	<u>(2,437,691)</u>	<u>2,313,764</u>	<u>(633,157)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	93,510	2,437,691	106,995	2,638,196
Transfers Out	-	-	(2,437,691)	(2,437,691)
Total Other Financing Sources (Uses)	<u>93,510</u>	<u>2,437,691</u>	<u>(2,330,696)</u>	<u>200,505</u>
Net Change in Fund Balance	(415,720)	-	(16,932)	(432,652)
Fund Balance, July 1	590,917	-	4,455,501	5,046,418
Fund Balance, June 30	<u>\$ 175,197</u>	<u>\$ -</u>	<u>\$ 4,438,569</u>	<u>\$ 4,613,766</u>

**SAN YSIDRO SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2018**

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
<b>ASSETS:</b>			
Cash in County Treasury	\$ 329,998	\$ 64,991	\$ 394,989
Cash on Hand and in Banks	-	1,000	1,000
Accounts Receivable	73,748	490,992	564,740
Due from Other Funds	-	98,699	98,699
Stores Inventories	-	30,322	30,322
Total Assets	<u>403,746</u>	<u>686,004</u>	<u>1,089,750</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts Payable	\$ 36,594	\$ 38,936	\$ 75,530
Due to Other Funds	103,459	605,150	708,609
Unearned Revenue	118,818	11,596	130,414
Total Liabilities	<u>258,871</u>	<u>655,682</u>	<u>914,553</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	-	30,322	30,322
Restricted Fund Balances	144,875	-	144,875
Total Fund Balance	<u>144,875</u>	<u>30,322</u>	<u>175,197</u>
Total Liabilities and Fund Balances	<u>\$ 403,746</u>	<u>\$ 686,004</u>	<u>\$ 1,089,750</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, 2018

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ 227,102	\$ 2,166,079	\$ 2,393,181
Other State Revenue	1,232,967	137,315	1,370,282
Other Local Revenue	149,082	14,597	163,679
Total Revenues	<u>1,609,151</u>	<u>2,317,991</u>	<u>3,927,142</u>
Expenditures:			
Current:			
Instruction	1,081,962	-	1,081,962
Instruction - Related Services	285,926	-	285,926
Pupil Services	82,871	2,743,701	2,826,572
General Administration	98,338	-	98,338
Plant Services	57,841	-	57,841
Capital Outlay	-	85,733	85,733
Total Expenditures	<u>1,606,938</u>	<u>2,829,434</u>	<u>4,436,372</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,213</u>	<u>(511,443)</u>	<u>(509,230)</u>
Other Financing Sources (Uses):			
Transfers In	-	93,510	93,510
Total Other Financing Sources (Uses)	<u>-</u>	<u>93,510</u>	<u>93,510</u>
Net Change in Fund Balance	2,213	(417,933)	(415,720)
Fund Balance, July 1	142,662	448,255	590,917
Fund Balance, June 30	<u>\$ 144,875</u>	<u>\$ 30,322</u>	<u>\$ 175,197</u>

**SAN YSIDRO SCHOOL DISTRICT**  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2018

	Capital Facilities Fund	Capital Outlay Projects	Blended Component Unit Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
<b>ASSETS:</b>				
Cash in County Treasury	\$ 2,010,854	\$ 26,429	\$ 2,590,180	\$ 4,627,463
Cash with a Fiscal Agent/Trustee	-	-	53,860	53,860
Accounts Receivable	8,933	140	9,216	18,289
Due from Other Funds	-	54,117	-	54,117
Total Assets	<u>2,019,787</u>	<u>80,686</u>	<u>2,653,256</u>	<u>4,753,729</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 261,043	\$ -	\$ -	\$ 261,043
Due to Other Funds	-	-	54,117	54,117
Total Liabilities	<u>261,043</u>	<u>-</u>	<u>54,117</u>	<u>315,160</u>
Fund Balance:				
Restricted Fund Balances	<u>1,758,744</u>	<u>80,686</u>	<u>2,599,139</u>	<u>4,438,569</u>
Total Fund Balance	<u>1,758,744</u>	<u>80,686</u>	<u>2,599,139</u>	<u>4,438,569</u>
Total Liabilities and Fund Balances	<u>\$ 2,019,787</u>	<u>\$ 80,686</u>	<u>\$ 2,653,256</u>	<u>\$ 4,753,729</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, 2018

	Capital Facilities Fund	Capital Outlay Projects	Blended Component Unit Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other Local Revenue	\$ 822,380	\$ 62,351	\$ 2,956,543	\$ 3,841,274
Total Revenues	<u>822,380</u>	<u>62,351</u>	<u>2,956,543</u>	<u>3,841,274</u>
Expenditures:				
Current:				
General Administration	58,286	-	-	58,286
Plant Services	-	19,567	71,590	91,157
Capital Outlay	653,236	617,836	-	1,271,072
Debt Service:				
Principal	-	-	106,995	106,995
Total Expenditures	<u>711,522</u>	<u>637,403</u>	<u>178,585</u>	<u>1,527,510</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>110,858</u>	<u>(575,052)</u>	<u>2,777,958</u>	<u>2,313,764</u>
Other Financing Sources (Uses):				
Transfers In	-	-	106,995	106,995
Transfers Out	-	-	(2,437,691)	(2,437,691)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(2,330,696)</u>	<u>(2,330,696)</u>
Net Change in Fund Balance	110,858	(575,052)	447,262	(16,932)
Fund Balance, July 1	1,647,886	655,738	2,151,877	4,455,501
Fund Balance, June 30	<u>\$ 1,758,744</u>	<u>\$ 80,686</u>	<u>\$ 2,599,139</u>	<u>\$ 4,438,569</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, 2018

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

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

Administration
Gina A. Potter, Ed.D. Superintendent
Marilyn Adrianzen Chief Business Official

**SAN YSIDRO SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**YEAR ENDED JUNE 30, 2018**

**TABLE D-1**

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	1,892.49	N/A	1,872.85	N/A
Extended Year Special Education	2.51	N/A	2.51	N/A
TK/K-3 Totals	1,895.00	N/A	1,875.36	N/A
Grades 4-6:				
Regular ADA	1,562.41	N/A	1,551.81	N/A
Extended Year Special Education	1.34	N/A	1.34	N/A
Grades 4-6 Totals	1,563.75	N/A	1,553.15	N/A
Grades 7 and 8:				
Regular ADA	1,045.77	N/A	1,042.63	N/A
Extended Year Special Education	0.28	N/A	0.28	N/A
Nonpublic, Nonsectarian Schools	1.84	N/A	1.84	N/A
Extended Year Nonpublic	1.82	N/A	1.82	N/A
Grades 7 and 8 Totals	1,049.71	N/A	1,046.57	N/A
ADA Totals	4,508.46	N/A	4,475.08	N/A

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

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

**SAN YSIDRO SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**YEAR ENDED JUNE 30, 2018**

**TABLE D-2**

Grade Level	Ed. Code 46207 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	39,175	180	-	Complied
Kindergarten	36,000	58,705	180	-	Complied
Grade 1	50,400	54,630	180	-	Complied
Grade 2	50,400	54,630	180	-	Complied
Grade 3	50,400	54,630	180	-	Complied
Grade 4	54,000	54,630	180	-	Complied
Grade 5	54,000	54,630	180	-	Complied
Grade 6	54,000	54,630	180	-	Complied
Grade 7	54,000	55,138	180	-	Complied
Grade 8	54,000	55,138	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, 2018**

**TABLE D-3**

General Fund	Budget 2019 (See Note 1)	2018	2017	2016
Revenues and other financial sources	\$ 57,950,214	\$ 72,852,324	\$ 57,871,546	\$ 56,757,989
Expenditures, other uses and transfers out	59,966,653	77,691,442	55,497,849	51,714,525
Change in fund balance (deficit)	(2,016,439)	(4,839,118)	2,373,697	5,043,464
Ending fund balance	\$ 8,751,996	\$ 10,768,435	\$ 15,607,553	\$ 13,233,856
Available reserves (See Note 2)	\$ 3,318,990	\$ 5,305,129	\$ 13,001,888	\$ 10,319,703
Available reserves as a percentage of total outgo (See Note 3)	5.5%	6.9%	24.0%	20.5%
Total long-term debt	\$ 218,114,234	\$ 224,851,576	\$ 210,623,323	\$ 204,995,019
Average daily attendance at P-2	4,600	4,508	4,584	4,554

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

The fund balance of the general fund has decreased by \$2,465,421 (22.89%) over the past two years. The fiscal year 2018-19 budget projects a decrease of \$2,016,439 (18.72%). 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 \$19,856,557 over the past two years.

Average daily attendance has decreased by 46 over the past two years.

**Notes:**

- 1 Budget 2019 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 \$1,670,892, \$1,232,026, and \$1,335,402 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2018, 2017, and 2016.

**SAN YSIDRO SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET**  
**REPORT WITH AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**TABLE D-4**

	Schedule of Long-Term Liabilities
June 30, 2018, annual financial and budget report total liabilities	\$ <u>259,893,594</u>
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
General obligation bonds understatement	2,130,905
Total OPEB liability understatement	10,703,947
Certificates of participation understatement	13,851,479
Compensated absences understatement	34,010
Net pension liability understatement	<u>10,734,863</u>
Net adjustments and reclassifications	<u>37,455,204</u>
June 30, 2018, audited financial statement total liabilities	\$ <u><u>297,348,798</u></u>

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

**SAN YSIDRO SCHOOL DISTRICT**

SCHEDULE OF CHARTER SCHOOLS

YEAR ENDED JUNE 30, 2018

**TABLE D-5**

No charter schools are chartered by San Ysidro School District.

Charter SchoolsIncluded In  
Audit?

None

N/A



**SAN YSIDRO SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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
<b>CHILD NUTRITION CLUSTER:</b>				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	\$ -	\$ 290,539
National School Lunch Program	10.555	13396	-	1,721,502
National School Lunch Program Noncash Commodities	10.555	13396	-	102,779
Total Passed Through State Department of Education			-	2,114,820
Total U. S. Department of Agriculture			-	2,114,820
Total Child Nutrition Cluster			-	2,114,820
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA Basic Local Assistance	84.027	13379	-	767,588
IDEA Preschool Local	84.027	13682	-	134,135
IDEA Mental Health	84.027	14468	-	135,375
IDEA Preschool Grants	84.173	13430	-	42,955
Total Passed Through State Department of Education			-	1,080,053
Total U. S. Department of Education			-	1,080,053
Total Special Education (IDEA) Cluster			-	1,080,053
<b>OTHER PROGRAMS:</b>				
<u>U. S. Department of Health and Human Services</u>				
Passed Through Episcopal Community Services:				
Head Start	93.600	10016	-	227,100
Total U. S. Department of Health and Human Services			-	227,100
<u>U. S. Department of Education</u>				
Passed Through San Diego County Superintendent of Schools:				
21st Century CCLC	84.287	14350	-	74,146
Passed Through State Department of Education:				
Title I	84.010	14329	-	1,323,913
Title III	84.365	15146 & 14346	-	302,378
Title II Supporting Effective Instruction	84.367	14341	-	314,613
Total Passed Through State Department of Education			-	1,940,904
Total U. S. Department of Education			-	2,015,050
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
Child and Adult Care Food Program	10.558	13666	-	163,821
Child Nutrition Equipment Assistance	10.579	14906	-	55,341
Fresh Fruit & Vegetable Program	10.582	14968	-	37,655
Total Passed Through State Department of Education			-	256,817
Total U. S. Department of Agriculture			-	256,817
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ -</b>	<b>\$ 5,693,840</b>

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, 2018**

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 8.50% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

Program	CFDA #	Indirect Cost Rate
Child Nutrition Cluster	10.553, 10.555	0.00%
Special Education Cluster	84.027, 84.173	0.00%
Special Education Mental Health	84.027	6.14%
Head Start	93.600	0.00%
21st Century CCLC	84.287	5.00%
Title III	84.365	2.00%
Child and Adult Care Food Program	10.558	0.00%
Fresh Fruit & Vegetable Program	10.582	0.00%
Child Nutrition Equipment Assistance	10.579	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:

Program	CFDA #	Amount Expended
Title I	84.010	\$1,323,913

## Other Independent Auditor's Reports

P. Robert Wilkinson, CPA  
Brian K. Hadley, CPA



Aubrey W. Mann, CPA  
Kevin A. Sproul, CPA

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

Board of Trustees  
San Ysidro School District  
San Diego, California

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Ysidro School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise San Ysidro School District's basic financial statements and have issued our report thereon dated January 31, 2019.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2018-001 through 2018-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-004 and 2018-005 to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the San Ysidro School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2018-006.

## **San Ysidro School District's Response to Findings**

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

## **Purpose of this Report**

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

*Wilkinson Abbey King & Co., LLP*

El Cajon, California  
January 31, 2019

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, 2018. 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, 2018.

## Report on Internal Control Over Compliance

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

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

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

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

*Wilkinson Harley King & Co., LLP*

El Cajon, California

January 31, 2019

### **Independent Auditor's Report on State Compliance**

Board of Trustees  
San Ysidro School District  
San Diego, California

Members of the Board of Trustees:

### **Report on State Compliance**

We have audited the District's compliance with the types of compliance requirements described in the *2017-18 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, 2018.

### **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, *2017-18 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, *2017-18 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>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:</b>	
Attendance Accounting:	
Attendance Reporting .....	Yes
Teacher Certification and Misassignments .....	Yes
Kindergarten Continuance .....	Yes
Independent Study .....	N/A
Continuation Education .....	N/A
Instructional Time .....	Yes
Instructional Materials.....	Yes
Ratio of Administrative Employees to Teachers .....	Yes
Classroom Teacher Salaries .....	Yes
Early Retirement Incentive .....	N/A
GANN Limit Calculation .....	Yes
School Accountability Report Card .....	Yes
Juvenile Court Schools .....	N/A
Middle or Early College High Schools .....	N/A
K-3 Grade Span Adjustment .....	Yes
Transportation Maintenance of Effort .....	Yes
Apprenticeship: Related and Supplemental Instruction.....	N/A
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:</b>	
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
<b>CHARTER SCHOOLS:</b>	
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, 2018.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-006.

## **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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

*Wilkinson Hobbie King & Co., LLP*

El Cajon, California  
January 31, 2019

## Findings and Recommendations Section

**SAN YSIDRO SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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? X Yes        None Reported

Noncompliance material to financial statements noted?        Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?        Yes X No

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

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

Any audit findings disclosed that are required to be reported in accordance with 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
10.553, 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?        Yes X No

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, 2018**

**B. Financial Statement Findings**

Finding Number: 2018-001  
Repeat Finding: Yes  
Audit Area: Capital Assets  
Type of Finding: Internal Control - Material Weakness (30000)

Criteria or Specific Requirement

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

Condition

The District was unable to provide a detail of work in progress, prior capitalized buildings, land improvements, and vehicles in addition to accurate depreciation schedules. We were unable to reconcile ending capital assets to supporting documentation sufficient to meet audit requirements.

Context

The District could not provide a proper detailed listing of capital assets, depreciation, and work in progress for the 2017-18 fiscal year. Also, fixed assets additions charged in the accounting software could not be reconciled to an actual detailed listing of capital assets and depreciation and in addition, work in progress balances could not be reconciled to specific project cost summaries.

Cause

The District does not have a system in place to track additions, deletions, and classification of capital assets and accounting personnel appear not to have a proper understanding of generally accepted accounting principles with regards to capital assets and depreciation.

Effect

We do not have sufficient audit evidence to offer an opinion on capital assets. The District's procedures would not identify misstatement, whether due to fraud or error. We cannot determine proper capital assets and accumulated depreciation in addition to the valuation of ongoing work in progress for school projects due to the lack of information provided.

Recommendation

Establish procedures to track additions and deletions to capital assets, create a detail of work in progress to track ongoing projects, and provide a reconciliation process to ensure accurate reporting of capital assets. It is imperative that District management and the governing board consider obtaining a full appraisal of all capital asset classes with depreciation including building, land improvements, vehicles, and work in progress from an outside source as fixed asset records have not been updated and recorded accurately for multiple years.

LEA's Response

See Corrective Action Plan

**SAN YSIDRO SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Finding Number: 2018-002  
Repeat Finding: Yes  
Audit Area: Inventory  
Type of Finding: Internal Control - Material Weakness (30000)

Criteria or Specific Requirement

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

Condition

Accounting personnel changed procedures with regards to inventory in the general fund in the prior year 2016-17. In previous years inventory was tracked at the warehouse and recorded in the accounting records. In the 2016-17 fiscal year, accounting personnel decided to eliminate accounting for inventory; however, District management was not able to provide a detail of inventory items in the warehouse and the accounting policy change was not approved by the governing board. For the 2017-18 fiscal year, the accounting policy change still has not been approved by the governing board and a detail of inventory items in the warehouse at year end was still not available for audit review.

Context

The District received a recommendation in a prior year to implement review and reconciliation procedures to ensure an accurate accounting of inventory items at year end; consequently, instead of implementing recommended audit procedures, accounting personnel changed the process and eliminated the inventory balance through journal entry.

Cause

The District did not understand that the purpose of inventory control procedures is to aid in prevention, detection, and deterrence of fraud as the District eliminated the system in place to track items in the warehouse and had no controls in place to reconcile warehouse records to accounting records.

Effect

The District is still 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 for the tracking of inventory in the general fund. We do not have sufficient audit evidence to offer an opinion on inventory in the general fund. District 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 a District accounting procedure, seek board approval before making the change. District management should evaluate whether to recognize a stores inventory valuation at year end that is reconciled to a physical count as in the past under the existing accounting policy or obtain board approval to change the accounting policy and expense items as purchased. Under either reporting method, the District must still have the proper internal controls over the tracking of inventory items.

LEA's Response

See Corrective Action Plan

**SAN YSIDRO SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Finding Number: 2018-003  
Repeat Finding: Yes  
Audit Area: Deposit and Journal Entry Controls  
Type of Finding: Internal Control - Material Weakness (30000)

Criteria or Specific Requirement

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

Condition

In our review of deposits and journal entries selected for testing, we noticed a significant number of journal entries that had been prepared and approved by the same individual.

Context

Eighteen out of forty deposits tested and seventeen out of forty journal entries tested did not have adequate supporting documentation as journal entries were being prepared and approved by the same individual. Segregation of duties would aid in the prevention, detection, and deterrence of fraud due to misappropriation.

Cause

The District did not monitor internal controls and procedures to ensure that all deposits and journal entries had dual signatures attached as proper documentation of acceptance and approval of each transaction.

Effect

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

Recommendation

Establish internal control procedures over deposits and journal entries that will prevent, detect, and deter misappropriation and misstatements, whether due to fraud or error. Establish monitoring systems to ensure all journal entries for transactions and deposits are not completed and approved by a sole individual. All journal entries should contain origination and approval signatures as proper documentation and segregation over all transactions.

LEA's Response

See Corrective Action Plan

**SAN YSIDRO SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Finding Number: 2018-004  
Repeat Finding: No  
Audit Area: Vacation Accrual  
Type of Finding: Internal Control - Significant Deficiency (30000)

Criteria or Specific Requirement

Determine the District's vacation accrual liability at year end is clerically accurate and all employee's vacation carryover is within the maximum allowed per District policy.

Condition

In our testing and review of the District's vacation accrual balance at year end, we noted that ten out of twelve employees tested had vacation days carried over that exceeded the maximum allowed by District policy. In addition, the District's vacation accrual balance has increased over 34% in the past two years as employees are not utilizing enough vacation hours during each fiscal year and their accrued hours are in excess of the maximum amount of hours allowed to be carried over per District policy.

Context

Employees should accrue vacation only up the maximum allowed by District policy and management should monitor all employees carryover to ensure no individuals exceed the maximum allowed.

Cause

District management has not been monitoring vacation accrual balances and enforcing the District policy to limit the amounts accrued to the maximum allowed per policy guidelines.

Effect

A considerable amount of excess vacation accrual liability has been incurred by the District over the past two years due to the lack of monitoring of vacation accrual balances by District management. Employees have accrued days in excess of the maximum allowed by District policy and there is no regulation or control in place to reduce the excess carryover.

Recommendation

Implement procedures that will require all employees to utilize excess vacation time in order to reduce the excess liability to the District. Monitor the vacation carryover for all employees in conjunction with District policy to ensure no employees exceed the maximum carryover of vacation days allowed. Determine the best method to limit the amount of vacation time accrued annually and establish a plan to reduce the vacation accrual liability in future periods.

LEA's Response

See Corrective Action Plan



**SAN YSIDRO SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Finding Number: 2018-005  
Repeat Finding: No  
Audit Area: Expenditures  
Type of Finding: Internal Control - Significant Deficiency (30000)

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 duties, to prevent or detect and correct misstatements on a timely basis.

Condition

In our review of expenditures selected for testing, we noticed one expenditure that was a reimbursement to a personal credit card. The District has a policy in place that personal credit cards should not be reimbursed for expenses. Upon expanding our testing, we noted an additional reimbursement for a personal credit card from the same individual which is a direct disregard and circumvention of District policy.

Context

Initial testing of fifty disbursements reflected one expenditure where a personal credit card was being used for District expenditures, which the District subsequently reimbursed to the individual. An increase in testing of fifty additional expenditures reflected one additional reimbursement of personal credit card expense to the same individual. These exceptions circumvent District policy that personal credit cards cannot be reimbursed for any costs incurred. Proper monitoring of expenditures would aid in the prevention, detection, and deterrence of fraud due to misappropriation.

Cause

The District did not monitor internal controls and procedures to ensure that all expenditures were within the guidelines of District policies and procedures.

Effect

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

Recommendation

Establish internal control procedures over expenditures to prevent, detect, and deter misappropriation and misstatements, whether due to fraud or error. Establish monitoring systems to ensure all expenditures are properly documented and are consistent with District policy. Do not allow expenditures for reimbursement of personal credit cards as this is a direct disregard for District internal controls over expenditures.

LEA's Response

See Corrective Action Plan

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

None

**SAN YSIDRO SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

Finding Number: 2018-006  
Repeat Finding: Yes  
Program Name: Attendance  
Questioned Costs: None  
Type of Finding: State Compliance (10000)

Criteria or Specific Requirement

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

Condition

In review of the class rosters at San Ysidro Middle School for the seventh month of attendance, we noted that some of the class rosters were not being signed and verified by the teachers within one week after the end of the attendance period on a timely basis. In addition, the date verification of some class rosters was being backdated prior to the date the rosters were actually printed. In one case, the teacher stapled together her multiple class period rosters; however, only the first period roster was signed and verified. In addition, some rosters were being signed and verified in excess of two weeks after the end of the attendance period.

The District has established procedures that the teachers enter attendance on a daily basis and although the verification of class rosters was not completed within state guidelines, the attendance was entered timely by individuals with first hand knowledge. Based upon our review, we determined there are no questioned costs or loss of attendance to be identified or justified as all class rosters on hand had a valid teacher signature and were subsequently approved prior to the end of the attendance reporting period.

Context

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

Cause

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

Effect

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

Recommendation

Implement procedures to ensure class rosters are printed timely and are being signed, dated, and verified by the teachers within one week after the end of each attendance period. Teachers with multiple teaching periods must sign and date each individual period class roster for proper validation of attendance. Retain all original rosters printed and verified by the teachers even if changes or corrections have been made as proper support that attendance is being validated on a timely basis.

Views of Responsible Officials

See Corrective Action Plan



GOVERNING BOARD

Irene Lopez, President

Antonio Martinez Clerk

Humberto Guraulan, Vice-President

Rudy Lopez, Member

Resaleah Pallasague, Member

Quality education and opportunity for all students to succeed

January 30, 2019

To Whom It May Concern:

The accompanying Corrective Action Plan has been prepared as required by the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting published by the Education Audit Appeals Panel. The name of the contact person responsible for corrective action, the planned corrective and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

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

Sincerely,

Gina A. Potter, Ed.D.  
Superintendent

**SAN YSIDRO SCHOOL DISTRICT**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Findings and Questioned Costs Related to Financial Statements**

Finding Number: 2018-001  
Program Name: Capital Assets  
Contact Person: Marilyn Adrianzen and Amber Elliott  
Anticipated Completion Date: June 30, 2019  
Planned Corrective Action: The District will obtain a full appraisal of all capital assets with depreciation from an outside service provider. Capital assets will include land improvements, buildings, vehicles, equipment, and work in progress. The District will also establish procedures to track additions and deletions in capital assets, create a detailed work in progress of ongoing projects and reconcile capital assets.

Finding Number: 2018-002  
Program Name: Inventory  
Contact Person: Marilyn Adrianzen and Amber Elliott  
Anticipated Completion Date: June 30, 2019  
Planned Corrective Action: The District is working with the San Diego County Office of Education to re-establish stores inventory. The District will recognize a stores inventory valuation at year end that is reconciled to the physical count. The District will ensure proper internal controls over the tracking of inventory items.

Finding Number: 2018-003  
Program Name: Deposit and Journal Entry Controls  
Contact Person: Marilyn Adrianzen and Amber Elliott  
Anticipated Completion Date: June 30, 2019  
Planned Corrective Action: The District will establish internal control procedures over deposits and journal entries and will ensure that all journal entries are not completed and approved by one employee. All journal entries will include origination and approval signatures to segregate overall transactions.

Finding Number: 2018-004  
Program Name: Vacation Accrual  
Contact Person: Marilyn Adrianzen and Daniel Zummo  
Anticipated Completion Date: June 30, 2019  
Planned Corrective Action: The District will implement procedures requiring employees to use excess vacation time in order to reduce the excess vacation liability. The District will monitor the vacation carryover in conjunction with the District's policy to ensure that no employee exceeds the maximum carryover of vacation days allowed.

Finding Number: 2018-005  
Program Name: Expenditures  
Contact Person: Marilyn Adrianzen and Amber Elliott  
Anticipated Completion Date: June 30, 2019  
Planned Corrective Action: The District will establish internal controls over expenditures to detect misappropriation and misstatements. The District will ensure that employees are adhering to District policy in regards to expenditure reimbursement of personal credit cards.

## Findings and Questioned Costs Related to State Awards

Finding Number: 2018-006  
Program Name: Attendance  
Contact Person: Marilyn Adrianzen and Amber Elliott  
Anticipated Completion Date: June 30, 2019  
Planned Corrective Action: On October 11, 2018, the District's Board approved a contract with Wenger & Associates, LLC who will provide attendance training and attendance manuals to district office staff and site staff. The District will ensure that class rosters are printed, signed, dated and verified by teachers within one week after the end of each attendance period. The District will ensure that middle school teachers sign and date each individual period class roster.

**SAN YSIDRO SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2017-001 Debt Issuance</p> <p>In review of long-term debt, the District did not account for the issuance of refunding certificates of participation and a new capital lease agreement in their financial statements; consequently, adjusting audit journal entries had to be processed in order to account for the debt issuance.</p> <p>Establish procedures to account for all activities involving the issuance of debt. Review all financial information prior to closing the books to ensure all new debt issuance is posted to the proper financial accounts at fiscal year end.</p>	Implemented	
<p>Finding 2017-002 Deposit Controls</p> <p>In review of District deposits, twenty out of fifty deposits tested did not have adequate supporting documentation or dual cash counts and journal entries for deposits were being prepared and approved by the same individual.</p> <p>Establish internal controls over District deposits that will prevent, detect, and deter misappropriation and misstatements, whether due to fraud or error. Require dual cash counts and monitoring controls of all revenues receipted and ensure all journal entries are reviewed and approved by a second individual in management.</p>	Not Implemented	See current year finding and corrective action plan.
<p>Finding 2017-003 Year End Closing</p> <p>In review of the financial statements at year end closing, there were several areas that were misstated and not identified in the closing process that required audit adjusting journal entries to correct.</p> <p>Establish review procedures to ensure all transaction classes are accurate and all debt issuance, accruals, and cash accounts are recorded correctly.</p>	Implemented	

**SAN YSIDRO SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2017-004 Capital Asset Accounting</p> <p>The District was unable to provide a detail of work in progress and a detailed list of capital assets and depreciation which reflected proper additions and deletions during the fiscal year. The District could not provide requested information sufficient to meet audit evidence requirements.</p> <p>Establish a proper detailed listing of capital assets and depreciation that reflects proper additions, deletions, and depreciation expense for the current fiscal year. In addition, establish a detail of work in progress that can be tracked to ongoing projects and supporting paid invoices and other documentation.</p>	Not Implemented	See current year finding and corrective action plan.
<p>Finding 2017-005 Inventory Accounting</p> <p>In previous years, warehouse inventory was valued and reported in the general fund financial statements; however, in the 2016-17 fiscal year, the inventory value was written off per journal entry. There was no board approval for the accounting policy change and a detailed list of warehouse items and valuation could not be provided at year end.</p> <p>Establish procedures in the general fund to ensure accurate reporting of stores inventory at year end and when considering a change in the accounting process and policy, seek board approval prior to making the change.</p>	Not Implemented	See current year finding and corrective action plan.

**SAN YSIDRO SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2017-006 Other Post-Employment Benefits</p> <p>The District did not obtain an updated biennial actuarial study for other post-employment benefits as required under GASB Statement No. 45.</p> <p>Obtain an actuarial study to be in compliance with GASB Statement No. 45. Provide training to accounting personnel on GASB requirements and establish review procedures to ensure GASB compliance in all areas of financial reporting and disclosure.</p>	Implemented	
<p>Finding 2017-007 Attendance Verification</p> <p>In review of attendance at San Ysidro Middle School, we noted teacher verification was not being completed within one week after the end of the attendance period. In addition, there were instances of teachers signing but not dating the weekly attendance roster reports.</p> <p>Establish attendance procedures with state requirements and provide training to attendance staff to ensure that all attendance rosters are verified by the teachers within one week after the end of the attendance period and are properly signed and dated accordingly.</p>	Not Implemented	See current year finding and corrective action plan.
<p>Finding 2017-008 Unduplicated Pupil Counts</p> <p>In review of pupils reported as Free and Reduced Price Meal Eligible on the student list (Form 1.18) submitted, there were 17 pupils of 73 tested that were not eligible under the Free and Reduced Price Meal Program as the pupils were re-designated as 'paid' meals and were not updated in the system.</p> <p>Implement a process to review pupils reported for unduplicated counts prior to the re-certification date. Re-certify with corrected information any pupils that were no longer eligible to receive free or reduced paid meals.</p>	Implemented	



**SAN YSIDRO SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2017-009  After School Education and Safety Program</p> <p>In review of the before school component at Ocean View Elementary School for the month of October, pupils marked as present were signing in late with no late arrival forms on file or emergency codes identified. In addition, some pupils marked present did not have a sign-in signature or time listed on the attendance sheets.</p> <p>Establish training to all school site personnel to ensure they understand the policies and proper procedures for the program. Implement review procedures and oversight to ensure all pupils signing in late have approved late arrival forms on file or an emergency code is listed, and require all pupils marked as present have a sign-in signature and time listed on the attendance sheets.</p>	Implemented	
<p>Finding 2017-010  Kindergarten Continuance</p> <p>In review of kindergarten continuance forms, one student who continued in kindergarten did not have the proper state-approved form on file.</p> <p>Revise the P2 and Annual attendance reports to reflect the loss of attendance for the one pupil that did not have the state-approved form. Require all school sites to have the state-approved continuance form on file for any pupil that continued a second year in kindergarten.</p>	Implemented	