

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
COUNTY OF IMPERIAL
WINTERHAVEN, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2018

San Pasqual Valley Unified 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 Pasqual Valley Unified School District
Winterhaven, 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 Pasqual Valley Unified 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Pasqual Valley Unified 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 Pasqual Valley Unified 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, and budgetary comparison information and 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 Pasqual Valley Unified 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 February 28, 2019 on our consideration of San Pasqual Valley Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of

internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Pasqual Valley Unified School District's internal control over financial reporting and compliance.

Wilkinson ~~Halley~~ King & Co., LLP

El Cajon, California
February 28, 2019

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2018

(Unaudited)

The discussion and analysis of San Pasqual Valley Unified 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

- The increase in Local Control Funding Formula (LCFF) sources from 2016-2017 to 2017-2018 was \$173 thousand. The increase is due to the State of California funding some of the LCFF gap because of actual revenues outpacing all forecasts.
- General Fund expenditures and other uses exceeded revenues and other sources by \$155 thousand.

Overview of the Financial Statements

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

The Basic Financial Statements

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

The financial statements also include notes that explain some of the supplementary information in the statements and provide more detailed data. The statements are followed by a section of required

supplementary information that further explains and supports the financial statements. A comparison of the District's general fund budget is included.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using methods similar to those used by private-sector companies. The Statement of Net Position includes all the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes in account all the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2017-2018?"

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the School District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund and the Building 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 \$11.4 million at June 30, 2018.. Of this amount, unrestricted assets were \$469 thousand. A Comparative analysis of government-wide data is presented in Table 1.

The District's net position decreased \$1.17 million this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 73% of total expenses. The administrative activities of the District accounted for just 9% of total costs. The remaining 18% was spent in the areas of plant services and other expenses. (See Figure 2)

(Table 1)
Comparative Statement of Net Position

	Governmental Activities	
		Restated
	June 30, 2018	June 30, 2017
Assets		
Cash	\$ 13,596,409	\$ 13,947,542
Accounts receivable	650,690	549,124
Stores inventory	3,913	3,514
Capital assets	15,749,548	16,374,980
Total Assets	<u>\$ 30,000,560</u>	<u>\$ 30,875,160</u>
Deferred Outflows of Resources		
Deferred outflows of resources - pensions	<u>\$ 5,150,717</u>	<u>\$ 3,389,780</u>
Liabilities		
Accounts payable and other current liabilities	476,201	563,097
Unearned revenue	224,428	202,867
Long-term liabilities	19,894,800	19,224,658
Total liabilities	<u>20,595,429</u>	<u>19,990,622</u>
Deferred Inflows of Resources		
Deferred inflows of resources - pensions	<u>\$ 3,108,874</u>	<u>\$ 1,639,296</u>
Net Assets		
Net investment in capital assets	9,872,559	10,484,763
Restricted	1,103,666	6,047,758
Unrestricted	469,749	(3,897,499)
Total net position	<u>\$ 11,445,974</u>	<u>\$ 12,635,022</u>

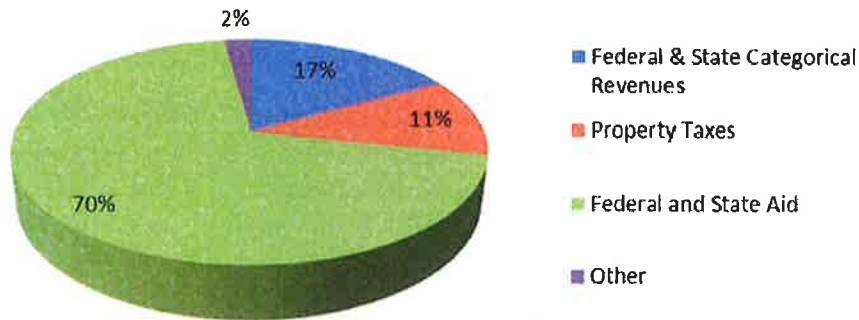
(Table 2)
Comparative Statement of Change in Net Position

	Governmental Activities	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Revenues		
Program revenues	\$ 2,533,712	\$ 2,656,575
General revenues		
Taxes levied for general purposes	1,494,996	1,323,964
Taxes levied for debt service	170,638	0
Interagency revenues	0	0
Federal and state aid not restricted to specific purposes	10,345,652	10,037,389
Interest and investment earnings	122,940	75,862
Miscellaneous	207,972	86,951
Total Revenues	<u>\$ 14,875,910</u>	<u>\$ 14,180,741</u>
Expenses		
Instruction	7,868,178	7,916,394
Instruction related services	1,366,440	1,506,705
Pupil support services	2,329,141	2,187,085
General administration	1,464,974	1,587,756
Plant services	1,693,390	2,131,614
Other	1,326,237	1,223,404
Total Expenses	<u>16,048,360</u>	<u>16,552,958</u>
Increase (Decrease) in net position	<u>\$ (1,172,450)</u>	<u>\$ (2,372,217)</u>

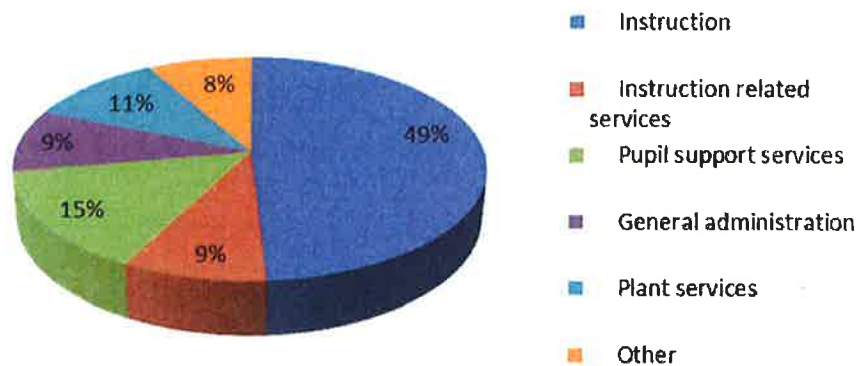
GOVERNMENTAL ACTIVITIES

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$16.0 million. The amount that our local taxpayers financed for these activities through property taxes was \$1.67 million. Federal and State aid not restricted to specific purposes totaled \$10.3 million. Operating grants and contributions revenue \$2.5 million (See Figure 1).

**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. The District's Governmental Funds reported a combined fund balance of \$13.6 million, a decrease of \$186 thousand from the previous fiscal year's combined ending balance of \$13.8 million.

General Fund Budgetary Highlights

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

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

The final revised budget for the General Fund reflected a net decrease to the ending balance of \$157 thousand.

The District ended the year with a \$155 thousand decrease to the general fund ending balance. The State recommends available reserves of 3% of District expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

(Table 3)
Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Net \$ Change</u>	<u>Net % Change</u>
Land	\$ 66,865	\$ 66,865	\$ 0	0.0%
Site Improvements	864,158	849,141	15,017	1.8%
Buildings	14,447,493	13,996,666	450,827	3.2%
Equipment	<u>996,464</u>	<u>836,876</u>	<u>159,588</u>	<u>19.1%</u>
Total	<u>\$ 16,374,980</u>	<u>\$ 15,749,548</u>	<u>\$ 625,432</u>	<u>24.1%</u>

Long-Term Obligations

At June 30, 2018 the District had \$80 million in long-term obligations outstanding.

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

	<u>2018</u>	<u>Restated 2017</u>
General Obligation Bonds	\$ 5,500,000	\$ 5,500,000
Bond Premium	376,989	390,217
Net OPEB liability	1,330,536	1,250,554
Net Pension liability	12,658,476	12,078,700
Compensated Absences	<u>30,199</u>	<u>25,187</u>
Total	<u>\$ 19,896,200</u>	<u>\$ 19,244,658</u>

FACTORS BEARING ON THE DISTRICT

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact, Chief Business Official, San Pasqual Valley Unified School District, 676 Baseline Road, Winterhaven, CA 92883.

Basic Financial Statements

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS:	
Cash	\$ 13,596,409
Accounts Receivable	650,690
Stores Inventories	3,913
Capital Assets:	
Land	66,865
Improvements	1,924,408
Buildings	19,450,465
Equipment	3,287,071
Less Accumulated Depreciation	(8,979,261)
Total Assets	<u>30,000,560</u>
DEFERRED OUTFLOWS OF RESOURCES	5,150,717
LIABILITIES:	
Accounts Payable	476,201
Unearned Revenue	224,428
Long-Term Liabilities	
Due Within One Year	263,427
Due In More Than One Year	19,632,373
Total Liabilities	<u>20,596,429</u>
DEFERRED INFLOWS OF RESOURCES	3,108,874
NET POSITION:	
Net Investment in Capital Assets	9,872,559
Restricted For:	
Capital Projects	334,396
Debt Service	284,464
Educational Programs	155,912
Other Purposes (Expendable)	322,481
Other Purposes (Nonexpendable)	6,413
Unrestricted	469,749
Total Net Position	<u>\$ 11,445,974</u>

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2018

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					Governmental Activities
Instruction	\$ 7,868,178	\$ 29,432	\$ 1,408,446	\$ -	\$ (6,430,300)
Instruction-Related Services:					
Instructional Supervision and Administration	197,023	-	44,726	-	(152,297)
Instructional Library, Media and Technology	110,595	-	103,711	-	(6,884)
School Site Administration	1,058,822	711	48,924	-	(1,009,187)
Pupil Services:					
Home-to-School Trans- portation	810,752	-	(1,953)	-	(812,705)
Food Services	686,215	4,730	612,769	-	(68,716)
All Other Pupil Services	832,174	500	146,211	-	(685,463)
General Administration:					
Centralized Data Processing	82,098	-	(907)	-	(83,005)
All Other General Administration	1,382,876	-	56,299	-	(1,326,577)
Plant Services	1,693,390	41,600	34,415	-	(1,617,375)
Ancillary Services	368,934	-	1,476	-	(367,458)
Community Services	10,402	103	2,519	-	(7,780)
Interest on Long-Term Debt	215,552	-	-	-	(215,552)
Other Outgo	27,000	-	-	-	(27,000)
Depreciation (Unallocated)*	704,349	-	-	-	(704,349)
Total Expenses	\$ 16,048,360	\$ 77,076	\$ 2,456,636	\$ -	\$ (13,514,648)
General Revenues:					
Taxes and Subventions:					
Taxes Levied for General Purposes					1,494,996
Taxes Levied for Debt Service					170,638
Federal and State Aid Not Restricted to Specific Programs					10,345,652
Interest and Investment Earnings					122,940
Miscellaneous					207,972
Total General Revenues					12,342,198
Change in Net Position					(1,172,450)
Net Position Beginning-As Restated (Note P)					12,618,424
Net Position Ending					\$ 11,445,974

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 7,767,982	\$ 5,341,002	\$ 484,925	\$ 13,593,909
Cash in Revolving Fund	2,500	-	-	2,500
Accounts Receivable	525,603	14,513	110,574	650,690
Due from Other Funds	386	-	-	386
Stores Inventories	-	-	3,913	3,913
Total Assets	<u>8,296,471</u>	<u>5,355,515</u>	<u>599,412</u>	<u>14,251,398</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 339,309	\$ 34,103	\$ 8,862	\$ 382,274
Due to Other Funds	-	-	386	386
Unearned Revenue	224,428	-	-	224,428
Total Liabilities	<u>563,737</u>	<u>34,103</u>	<u>9,248</u>	<u>607,088</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	2,500	-	-	2,500
Stores Inventories	-	-	3,913	3,913
Restricted Fund Balances	593,440	5,255,338	36,856	5,885,634
Committed Fund Balances	-	-	11,355	11,355
Assigned Fund Balances	6,024,757	66,073	538,040	6,628,870
Unassigned:				
Reserve for Economic Uncertainty	1,112,038	-	-	1,112,038
Total Fund Balance	<u>7,732,734</u>	<u>5,321,412</u>	<u>590,164</u>	<u>13,644,310</u>
Total Liabilities and Fund Balances	<u>\$ 8,296,471</u>	<u>\$ 5,355,515</u>	<u>\$ 599,412</u>	<u>\$ 14,251,398</u>

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances, governmental funds \$ 13,644,310

Amounts reported for governmental activities in the statement of net position are different 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:	24,728,809	
Accumulated depreciation:	(8,979,261)	
Net		15,749,548

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

(93,927)

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. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	5,148,448
Deferred inflows of resources relating to pensions	(3,108,874)

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	2,269
Deferred inflows of resources relating to OPEB	-

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consisted of:

General obligation bonds payable	5,876,989	
Total OPEB obligation	1,330,136	
Net pension liability	12,658,476	
Compensated absences payable	30,199	
Total		(19,895,800)

Total net position of governmental activities \$ 11,445,974

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 5,496,279	\$ -	\$ -	\$ 5,496,279
Education Protection Account Funds	1,080,873	-	-	1,080,873
Local Sources	1,494,997	-	-	1,494,997
Federal Revenue	4,361,614	-	601,900	4,963,514
Other State Revenue	1,128,407	-	180,440	1,308,847
Other Local Revenue	403,797	69,103	191,963	664,863
Total Revenues	<u>13,965,967</u>	<u>69,103</u>	<u>974,303</u>	<u>15,009,373</u>
Expenditures:				
Current:				
Instruction	7,525,258	-	162,730	7,687,988
Instruction - Related Services	1,340,919	-	6,928	1,347,847
Pupil Services	1,621,019	-	689,206	2,310,225
Ancillary Services	368,324	-	-	368,324
Community Services	10,360	-	-	10,360
General Administration	1,451,426	-	-	1,451,426
Plant Services	1,655,244	49,623	27,095	1,731,962
Other Outgo	27,000	-	-	27,000
Capital Outlay	29,294	-	-	29,294
Debt Service:				
Interest	-	-	231,146	231,146
Total Expenditures	<u>14,028,844</u>	<u>49,623</u>	<u>1,117,105</u>	<u>15,195,572</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(62,877)</u>	<u>19,480</u>	<u>(142,802)</u>	<u>(186,199)</u>
Other Financing Sources (Uses):				
Transfers In	63,545	-	10,000	73,545
Transfers Out	(73,545)	-	-	(73,545)
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
Net Change in Fund Balance	<u>(72,877)</u>	<u>19,480</u>	<u>(132,802)</u>	<u>(186,199)</u>
Fund Balance, July 1	7,805,611	5,301,932	722,966	13,830,509
Fund Balance, June 30	<u>\$ 7,732,734</u>	<u>\$ 5,321,412</u>	<u>\$ 590,164</u>	<u>\$ 13,644,310</u>

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED 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

Total change in fund balances, governmental funds \$ (186,199)

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

Capital Outlay: In governmental funds, the cost 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	78,917	
Depreciation expense	(704,349)	
Net		(625,432)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period 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 the prior period, was:

2,364

Pensions: In government 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:

(293,686)

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 discount it 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 or discount, or deferred gain or loss from debt refunding, for the period is:

13,228

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:

(77,713)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

(5,012)

Change in net position of governmental activities \$ (1,172,450)

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency Fund	Student Body Fund
ASSETS:		
Cash on Hand and in Banks	\$ 44,534	
Total Assets	44,534	
LIABILITIES:		
Due to Student Groups	\$ 44,534	
Total Liabilities	44,534	
NET POSITION:		
Total Net Position	\$ -	

The accompanying notes are an integral part of this statement.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

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

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

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.

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.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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.

In addition, the District reports the following fund types:

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 PASQUAL VALLEY UNIFIED 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. Expenditures cannot legally exceed appropriations by major object code.

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 PASQUAL VALLEY UNIFIED 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 Imperial 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 Imperial 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>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

e. 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.

f. 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.

g. 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.

h. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Imperial bills and collects the taxes for the District.

i. 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.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

7. Deferred Inflows and Deferred Outflows of Resources

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

8. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) and Fund 20 (Special Reserve Fund for Postemployment Benefits) are merged with the General Fund for purposes of presentation in the audit report.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and 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

10. Use of Estimates

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

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

11. 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.

12. 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 P.

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.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 Imperial County Treasury as part of the common investment pool (13,593,909 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 13,593,909. 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 Imperial 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 (44,534 as of June 30, 2018) and in the revolving fund (2,500) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments Authorized by the California Government Code and the District's Investment Policy

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.

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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

4. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The San Diego County Investment Pool is rated AAAf/S1 by Standard & Poors. At year end 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.

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

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

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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. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

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

6. Investment Accounting Policy

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

The District's investments in external investment pools are reported 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.

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NOTES TO THE FINANCIAL STATEMENTS
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D. Accounts Receivable

Accounts receivable balances and amounts due from grantor governments as of June 30, 2018 consist of:

	<u>Major Governmental Funds</u>		<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Building Fund</u>		
Federal Government:				
Federal Programs	\$ 369,487	\$ -	\$ 102,671	\$ 472,158
State Government:				
Lottery	35,823	-	-	35,823
LCFF State Aid	18,128	-	-	18,128
Other State Programs	4,659	-	6,489	11,148
Local Sources:				
Interest	22,900	14,513	1,414	38,827
Special Education	8,736	-	-	8,736
Other Local Sources	65,870	-	-	65,870
Total	<u>\$ 525,603</u>	<u>\$ 14,513</u>	<u>\$ 110,574</u>	<u>\$ 650,690</u>

All accounts receivable are considered to be collectible in full and as such no allowance for doubtful accounts has been established.

E. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 66,865	\$ -	\$ -	\$ 66,865
Total capital assets not being depreciated	<u>66,865</u>	<u>-</u>	<u>-</u>	<u>66,865</u>
Capital assets being depreciated:				
Buildings	19,446,564	3,901	-	19,450,465
Improvements	1,849,392	75,016	-	1,924,408
Equipment	3,287,071	-	-	3,287,071
Total capital assets being depreciated	<u>24,583,027</u>	<u>78,917</u>	<u>-</u>	<u>24,661,944</u>
Less accumulated depreciation for:				
Buildings	(4,999,071)	(454,728)	-	(5,453,799)
Improvements	(985,234)	(90,033)	-	(1,075,267)
Equipment	(2,290,607)	(159,588)	-	(2,450,195)
Total accumulated depreciation	<u>(8,274,912)</u>	<u>(704,349)</u>	<u>-</u>	<u>(8,979,261)</u>
Total capital assets being depreciated, net	<u>16,308,115</u>	<u>(625,432)</u>	<u>-</u>	<u>15,682,683</u>
Governmental activities capital assets, net	<u>\$ 16,374,980</u>	<u>\$ (625,432)</u>	<u>\$ -</u>	<u>\$ 15,749,548</u>

Depreciation was charged to functions as follows:

Unallocated \$ 704,349

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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Child Development Fund	\$ 386	Expense reimbursement
	Total	<u>\$ 386</u>	

1. Transfers To and From Other Funds

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

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Adult Education Fund	\$ 10,000	Cover fund deficit
General Fund	Special Reserve Fund	63,545	OPEB contribution
	Total	<u>\$ 73,545</u>	

G. 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.

H. Accounts Payable

Accounts payable balances as of June 30, 2018 consists of:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Accounts Payable:				
Vendor payables	\$ 196,947	\$ 34,103	\$ -	\$ 231,050
Payroll and related benefits	142,362	-	8,852	151,214
Other	-	-	10	10
Total	<u>\$ 339,309</u>	<u>\$ 34,103</u>	<u>\$ 8,862</u>	<u>\$ 382,274</u>

I. Unearned Revenue

Unearned revenue for the year ended June 30, 2018 was as follows:

	<u>General Fund</u>
State Government:	
CT Education Incentive	<u>\$ 224,428</u>

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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

J. Deferred Outflows of Resources

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

Description	Amortization Term	Balance July 1, 2017	Additions	Current Year Amortization	Balance June 30, 2018
Pension related	Varies	\$ 3,389,780	\$ 3,915,291	\$ 2,156,623	\$ 5,148,448
OPEB related	Varies	-	2,269	-	2,269
Total Deferred Outflows of Resources		<u>\$ 3,389,780</u>	<u>\$ 3,917,560</u>	<u>\$ 2,156,623</u>	<u>\$ 5,150,717</u>

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	Pension Related	OPEB Related
2019	\$ 2,352,618	\$ 2,269
2020	1,211,826	-
2021	1,029,108	-
2022	554,896	-
Total	<u>\$ 5,148,448</u>	<u>\$ 2,269</u>

K. Deferred Inflows of Resources

In accordance with GASB Statement No. 68 the District has recorded deferred inflows of resources for pension related items as prescribed by the statement in the amount of \$3,108,874. The District does not have any other deferred inflows of resources recorded.

Description	Amortization Term	Balance July 1, 2017	Additions	Current Year Amortization	Balance June 30, 2018
Pension related	Varies	\$ 1,636,296	\$ 2,616,598	\$ 1,144,020	\$ 3,108,874
Total Deferred Inflows of Resources		<u>\$ 1,636,296</u>	<u>\$ 2,616,598</u>	<u>\$ 1,144,020</u>	<u>\$ 3,108,874</u>

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Pension Related
2019	\$ 1,144,020
2020	918,164
2021	523,372
2022	523,318
Total	<u>\$ 3,108,874</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

L. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2018 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 5,500,000	\$ -	\$ -	\$ 5,500,000	\$ 220,000
Bond premium	390,217	-	13,228	376,989	13,228
Total OPEB obligation	1,250,554	135,696	55,714	1,330,536	-
Compensated absences	25,187	5,012	-	30,199	30,199
Net pension liability	12,078,700	579,776	-	12,658,476	-
Total governmental activities	\$ 19,244,658	\$ 720,484	\$ 68,942	\$ 19,896,200	\$ 263,427

2. 2016 General Obligation Bonds

In January 2017, the District issued \$5,500,000 2016 Election, Series A, General Obligation Bonds in order to finance the renovation, construction, and improvement of school facilities. The issue consisted of \$1,965,000 in current interest bonds with interest rates ranging from 2.0% to 4.0% with annual maturities from August 2018 through August 2036, \$1,400,000 in term bonds with an interest rate of 4.5% with annual maturities from August 2037 through August 2041, and \$2,135,000 in term bonds with an interest rate of 5.0% with annual maturities of August 1, 2042 through August 2046. Principal payments on the bonds are due August 1 of each year beginning August 1, 2018 while interest is payable semi-annually on February 1 and August 1 of each year through maturity beginning August 1, 2017. Total proceeds of \$5,500,000 with additional premium of \$396,831 resulted in \$5,285,000 deposited into the Building Fund after issuance costs of \$270,231, while remaining funds of \$341,600 were deposited into the Bond Interest and Redemption Fund to be utilized for subsequent debt service on the bonds.

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 220,000	\$ 227,625	\$ 447,625
2020	125,000	224,175	349,175
2021	-	222,925	222,925
2022	-	222,925	222,925
2023	-	222,925	222,925
2024-2028	260,000	1,101,875	1,361,875
2029-2033	605,000	1,028,581	1,633,581
2034-2038	990,000	898,656	1,888,656
2039-2043	1,525,000	634,888	2,159,888
2044-2048	1,775,000	186,625	1,961,625
Totals	\$ 5,500,000	\$ 4,971,200	\$ 10,471,200

3. Bond Premium

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) requires that the premium increase the face value of the bond and then amortize the premium over the life of the bond. The premiums are amortized over the life of the bond using the straight line method.

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NOTES TO THE FINANCIAL STATEMENTS
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The following bond was issued at a premium resulting in effective interest as follows:

	2016 GO Bonds
Total Interest	\$ 5,201,663
Less Bond Premium	(396,831)
Net Interest	<u>4,804,832</u>
Par Amount of Bonds	\$ 5,500,000
Periods	30
Effective Interest Rate	2.91%

4. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to \$30,199. This amount is included as part of long-term liabilities in the government-wide financial statements.

5. Net Pension Liability

The District's beginning net pension liability was \$12,078,700 and increased by \$579,776 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was \$12,658,476. See Note N for additional information regarding the net pension liability.

6. Total OPEB Liability

The District's beginning total OPEB obligation was \$1,250,554 and increased during the year ended June 30, 2018 by \$79,982. The ending total OPEB liability at June 30, 2018 was \$1,330,536. See Note O for additional information regarding the net pension liability.

M. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreements (JPA's) entities, the Imperial Valley Property and Liability (IVPL) and the Self Insurance Program of Imperial County (SIPIC). The relationship between the District and the JPA's is such that the JPA's are not considered component units of the District for financial reporting purposes.

The JPA's arrange for and provide workers' compensation, health, and property and liability insurance for its members. The JPA's are each governed by a board consisting of a representative from each member entity. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member entities beyond their representation on the board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA's.

Combined condensed financial information of the JPA's for the fiscal year ended June 30, 2018 is not available.

SAN PASQUAL VALLEY UNIFIED 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 Provided

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

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)	6.587%	6.587%

*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.

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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 6.587% 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	4.315%	\$ 202,492
2017	6.757%	307,686
2018	6.587%	340,184

SAN PASQUAL VALLEY UNIFIED 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	\$ 386,778
2017	759,362
2018	206,719

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	\$ 572,856	\$ 350,740	\$ 923,596
Contributions - State On Behalf Payments	340,185	-	340,185
Total Contributions	<u>\$ 913,041</u>	<u>\$ 350,740</u>	<u>\$ 1,263,781</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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	\$ 7,964,399	\$ 4,694,077	\$ 12,658,476

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	0.0094%	0.0054%	0.0148%
Proportion June 30, 2018	0.0086%	0.0051%	0.0137%
Change in Proportion	-0.0008%	-0.0003%	-0.0011%

	CalPERS District's Proportionate Share
Proportion June 30, 2017	0.0225%
Proportion June 30, 2018	0.0197%
Change in Proportion	-0.0028%

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)	\$ 326,419	\$ 253,359	\$ 579,778
State On Behalf Pension Expense	206,719	-	206,719
Employer Contributions to Pension Expense	745,285	395,505	1,140,790
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(152,263)	(43,731)	(195,994)
Differences between actual and expected experiences	(27,490)	(15,966)	(43,456)
Changes in assumptions	(1,377,094)	(731,364)	(2,108,458)
Changes in proportionate share	259,930	16,141	276,071
Net difference between projected and actual earnings	552	312,607	313,159
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	(537)	-	(537)
Changes in assumptions	-	(53,437)	(53,437)
Changes in proportionate share	223,900	418,738	642,638
Net difference between projected and actual earnings	753,791	130,123	883,914
Total Pension Expense	\$ 959,212	\$ 681,975	\$ 1,641,187

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NOTES TO THE FINANCIAL STATEMENTS
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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	\$ 745,285	\$ 395,505	\$ 1,140,790
Differences between actual and expected experience	27,490	237,052	264,542
Changes in assumptions	1,377,094	731,354	2,108,448
Changes in employer's proportionate share	779,788	48,421	828,209
Net difference between projected and actual earnings	1,408	805,051	806,459
Total Deferred Outflows of Resources	<u>\$ 2,931,065</u>	<u>\$ 2,217,383</u>	<u>\$ 5,148,448</u>

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (828)	\$ -	\$ (828)
Changes in assumptions	-	(106,875)	(106,875)
Changes in employer's proportionate share	(1,166,179)	(499,958)	(1,666,137)
Net difference between projected and actual earnings	(753,791)	(581,243)	(1,335,034)
Total Deferred Inflows of Resources	<u>\$ (1,920,798)</u>	<u>\$ (1,188,076)</u>	<u>\$ (3,108,874)</u>

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	\$ 1,356,913	\$ 995,705	\$ (637,574)	\$ (506,446)	\$	1,208,598
2020	611,627	600,199	(637,280)	(280,884)		293,662
2021	611,382	417,726	(322,998)	(200,374)		505,736
2022	351,143	203,753	(322,946)	(200,372)		31,578
Total	<u>\$ 2,931,065</u>	<u>\$ 2,217,383</u>	<u>\$ (1,920,798)</u>	<u>\$ (1,188,076)</u>	\$	<u>2,039,574</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

c. Actuarial Assumptions

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

	CalSTRS	CalPERS
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.75%
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.

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.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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

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

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

CalSTRS

Asset Class	Assumed 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

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

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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	\$ 11,694,266	\$ 6,906,491
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 7,964,399	\$ 4,694,077
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 4,937,359	\$ 2,858,694

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)	\$ 40,081,942	\$ 28,074,759	\$ 12,007,183	\$ 4,369,202	\$ 7,637,981
Changes for the year:					
Change in proportionate share	(3,022,471)	(2,117,042)	(905,429)	(232,938)	(672,491)
Service cost	832,345	-	832,345	310,113	522,232
Interest	2,776,358	-	2,776,358	1,034,409	1,741,949
Differences between expected and actual experience	54,767	-	54,767	20,405	34,362
Change in assumptions	2,743,553	-	2,743,553	1,022,186	1,721,367
Contributions:					
Employer	-	572,818	(572,818)	(213,419)	(359,399)
Employee	-	472,296	(472,296)	(175,967)	(296,329)
State On Behalf	-	340,162	(340,162)	(126,737)	(213,425)
Net investment income	-	3,454,173	(3,454,173)	(1,286,947)	(2,167,226)
Other income	-	9,883	(9,883)	(3,682)	(6,201)
Benefit payments, including refunds of employee contributions	(1,908,263)	(1,908,263)	-	-	-
Administrative expenses	-	(25,032)	25,032	9,326	15,706
Borrowing costs	-	(7,955)	7,955	2,964	4,991
Other expenses	-	(1,407)	1,407	524	883
Net Changes	1,476,289	789,633	686,656	360,237	326,419
Balance at June 30, 2018	\$ 41,558,231	\$ 28,864,392	\$ 12,693,839	\$ 4,729,439	\$ 7,964,400

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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)	\$ 17,012,516	\$ 12,571,797	\$ 4,440,719
Changes for the year:			
Adjustment for change in proportionate share	(2,134,895)	(1,577,631)	(557,264)
Service cost	399,535	-	399,535
Interest	1,124,691	-	1,124,691
Differences between expected and actual experience	104,580	-	104,580
Changes in assumptions	914,192	-	914,192
Contributions - Employer	-	350,736	(350,736)
Contributions - Employee	-	176,463	(176,463)
Net plan to plan resource movement	-	(27)	27
Net investment income	-	1,221,423	(1,221,423)
Benefit payments, including refunds of employee contributions	(732,429)	(732,429)	-
Administrative expenses	-	(16,220)	16,220
Net Changes	(324,326)	(577,685)	253,359
Balance at June 30, 2018	\$ 16,688,190	\$ 11,994,112	\$ 4,694,078

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

The District provides retiree health benefits up to age 65 for 7 retirees as well as 61 active employees. Eligible employees are certificated or administrative employees who have attained age 55 but not yet attained age 65, have completed 10 or more years of continuous, full time service with the District under CalSTRS. Eligible employees will receive 100% of combined costs of medical/prescription drug and dental insurance until age 65. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

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	4
Active plan members	51
Total number of participants	55

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

2. Total OPEB Liability

The District's total OPEB liability of \$1,943,006 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	3.00% per annum
Salary Increases	3.00% per annum, in aggregate
Discount Rate	3.13% per annum
Healthcare Cost Trend Rates	6.00% 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.

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	\$ 1,250,154
Changes for the year:	
Service cost	97,431
Interest	38,265
Benefit payments	(55,714)
Net changes	79,982
Balance at June 30, 2018	\$ 1,330,136

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

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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 (2.13%) or 1-percentage-point-higher (4.13%) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(2.13%)</u>	<u>(3.13%)</u>	<u>(4.13%)</u>
Total OPEB Liability	\$ 1,429,394	\$ 1,330,136	\$ 1,239,195

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 (5.00% decreasing to 4.00% per year) or 1-percentage-point higher (7.00% decreasing to 6.00% per year) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare</u>	<u>1% Increase</u>
	<u>5.00%</u>	<u>Cost Trend</u>	<u>7.00%</u>
	<u>decreasing to</u>	<u>Rate</u>	<u>decreasing to</u>
	<u>4.00%</u>	<u>6.00%</u>	<u>6.00%</u>
Total OPEB Liability	\$ 1,211,270	\$ 1,330,136	\$ 1,467,436

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 \$135,696. At June 30, 2018 the District did not report any deferred outflows or deferred inflows of resources relating to OPEB.

P. 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:

	<u>Government</u>
	<u>Wide</u>
	<u>Financial</u>
	<u>Statements</u>
Beginning Net Position - Originally Stated	\$ 13,172,944
Adjustments for Accounting Policy Change:	
Total OPEB Liability	(554,520)
Total Adjustments	(554,520)
Beginning Net Position - As Restated	\$ 12,618,424

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Q. Components of Ending Fund Balance

As of June 30, 2018 ending fund balance consisted of the following:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Nonspendable Fund Balances				
Revolving Cash	\$ 2,500	\$ -	\$ -	\$ 2,500
Stores Inventories	-	-	3,913	3,913
Restricted Fund Balances				
Educational Programs	221,315	-	-	221,315
College Readiness Block Grant	71,487	-	-	71,487
California Clean Energy Jobs Act	300,636	-	-	300,636
Capital Construction	-	5,255,338	-	5,255,338
Child Nutrition Program	-	-	36,856	36,856
Capital Projects	-	-	33,760	33,760
Child Development Program	-	-	84,425	84,425
Child Nutrition Program	-	-	64,310	64,310
Debt Service	-	-	284,464	284,464
Committed Fund Balances				
Adult Education Programs	-	-	10,908	10,908
Deferred Maintenance	-	-	446	446
Assigned Fund Balances				
Capital Renewal	250,000	-	71,081	321,081
New School Busses	400,000	-	-	400,000
Post Employment Benefits	929,780	-	-	929,780
Capital Construction	2,000,000	66,073	-	2,066,073
Reserve Requirement	579,605	-	-	579,605
Impact Aid Contingency	1,604,340	-	-	1,604,340
Legal	250,000	-	-	250,000
Unassigned Fund Balances				
For Economic Uncertainty	1,112,038	-	-	1,112,038
Total Fund Balance	\$ 7,721,701	\$ 5,321,411	\$ 590,163	\$ 13,633,275

R. 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. Acts of God,
- 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.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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

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

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 review 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.

T. Subsequent Events

General Obligation Bonds

On October 17, 2018 the District issued \$2,500,000 of General Obligation Bonds with a net premium of \$130,278. The cost of issuance, underwriters discount, and insurance premiums associated with the issuance of the bonds was \$207,697. The bonds bear interest at a rate of 3.75% to 5.25%. The bonds are payable over 30 years with interest payable on February 1 and August 1 of each year beginning February 1, 2019. Principal payments are on August 1 with the first payment due August 1, 2020.

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.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 5,587,054	\$ 5,496,279	\$ 5,496,279	\$ -
Education Protection Account Funds	977,223	1,080,873	1,080,873	-
Local Sources	1,362,994	1,494,997	1,494,997	-
Federal Revenue	3,566,121	4,361,614	4,361,614	-
Other State Revenue	1,118,007	1,128,407	1,128,407	-
Other Local Revenue	307,255	385,625	385,625	-
Total Revenues	<u>12,918,654</u>	<u>13,947,795</u>	<u>13,947,795</u>	<u>-</u>
Expenditures:				
Current:				
Certificated Salaries	5,103,312	5,364,839	5,364,884	(45)
Classified Salaries	2,762,492	2,731,682	2,731,682	-
Employee Benefits	3,273,186	3,097,871	3,097,871	-
Books And Supplies	722,935	724,595	724,595	-
Services And Other Operating Expenditures	2,090,998	2,056,517	2,053,518	2,999
Other Outgo	31,000	27,000	27,000	-
Capital Outlay	173,000	29,294	29,294	-
Total Expenditures	<u>14,156,923</u>	<u>14,031,798</u>	<u>14,028,844</u>	<u>2,954</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,238,269)</u>	<u>(84,003)</u>	<u>(81,049)</u>	<u>2,954</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(73,535)</u>	<u>(73,545)</u>	<u>(73,545)</u>	-
Total Other Financing Sources (Uses)	<u>(73,535)</u>	<u>(73,545)</u>	<u>(73,545)</u>	-
Net Change in Fund Balance	(1,311,804)	(157,548)	(154,594)	2,954
Fund Balance, July 1	5,845,510	5,845,510	5,845,510	-
Fund Balance, June 30	<u>\$ 4,533,706</u>	<u>\$ 5,687,962</u>	<u>\$ 5,690,916</u>	<u>\$ 2,954</u>

See Accompanying Notes to Required Supplementary Information

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM (CALSTRS)
LAST TEN FISCAL YEARS *

EXHIBIT B-2

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.0086%	0.0094%	0.0075%	0.0103%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 7,964,399	\$ 7,637,981	\$ 5,076,949	5,991,890	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	\$ 4,729,834	\$ 4,369,301	\$ 2,703,208	3,648,320	N/A	N/A	N/A	N/A	N/A	N/A
Total share of net pension liability (asset) associated with the District	\$ 12,694,233	\$ 12,007,282	7,780,157	9,640,210	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 4,553,704	\$ 4,691,845	3,484,871	4,543,452	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	174.90%	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 PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

EXHIBIT B-3

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 745,285	\$ 572,856	\$ 503,435	\$ 309,457	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(745,285)	(572,856)	(503,435)	(309,457)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,164,830	\$ 4,553,704	\$ 4,691,845	\$ 3,484,871	\$ 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 for those years for which information is available.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEE'S 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)	0.0197%	0.0225%	0.0219%	0.0231%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 4,694,077	\$ 4,440,719	\$ 3,233,547	\$ 2,625,759	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 2,525,490	\$ 2,722,808	\$ 2,439,546	\$ 2,431,952	\$ 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

* 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.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

EXHIBIT B-5

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 395,505	\$ 350,740	\$ 322,571	\$ 287,159	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(395,505)	(350,740)	(322,571)	(287,159)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,546,552	\$ 2,525,490	\$ 2,722,808	\$ 2,439,546	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	15.53%	13.89%	11.85%	11.77%	N/A	N/A	N/A	N/A	N/A	N/A

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

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS SPYUSD RETIREE HEALTHCARE PLAN LAST TEN FISCAL YEARS *

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability:										
Service cost	\$ 97,431	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest	38,265	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	(55,714)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	79,982	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	1,250,154	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	1,330,136	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	\$ 4,031,088	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Covered-employee payroll										
Total OPEB liability as a percentage of covered-employee payroll	33.00%	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.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Budgetary Comparison Schedule - General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) and Special Reserve Fund for Postemployment Benefits (Fund 20) were included with the General Fund. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

General Fund - Fund Financial Statements Ending Fund Balance	\$	5,690,916
Less Fund 17 Fund Balance		(1,112,035)
Less Fund 20 Fund Balance		(929,780)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	\$	<u>3,649,101</u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$	(154,594)
Change in Fund Balance attributed to Fund 17		10,193
Change in Fund Balance attributed to Fund 20		71,524
General Fund - Budgetary Comparison Schedule Change in Fund Balance	\$	<u>(72,877)</u>

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 \$	45	The District underestimated certificated salary costs.

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:

<u>Year</u>	<u>Discount Rate</u>
2018	3.13%

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 PASQUAL VALLEY UNIFIED SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2018

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 96,650	\$ 283,718	\$ 104,557	\$ 484,925
Accounts Receivable	384	746	284	1,414
Due from Grantor Governments	109,160	-	-	109,160
Stores Inventories	3,913	-	-	3,913
Total Assets	<u>210,107</u>	<u>284,464</u>	<u>104,841</u>	<u>599,412</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 8,862	\$ -	\$ -	\$ 8,862
Due to Other Funds	386	-	-	386
Total Liabilities	<u>9,248</u>	<u>-</u>	<u>-</u>	<u>9,248</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	3,913	-	-	3,913
Restricted Fund Balances	36,856	-	-	36,856
Committed Fund Balances	11,355	-	-	11,355
Assigned Fund Balances	148,735	284,464	104,841	538,040
Total Fund Balance	<u>200,859</u>	<u>284,464</u>	<u>104,841</u>	<u>590,164</u>
Total Liabilities and Fund Balances	<u>\$ 210,107</u>	<u>\$ 284,464</u>	<u>\$ 104,841</u>	<u>\$ 599,412</u>

SAN PASQUAL VALLEY UNIFIED 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 Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 601,900	\$ -	\$ -	\$ 601,900
Other State Revenue	180,067	373	-	180,440
Other Local Revenue	14,220	172,550	5,193	191,963
Total Revenues	<u>796,187</u>	<u>172,923</u>	<u>5,193</u>	<u>974,303</u>
Expenditures:				
Current:				
Instruction	162,730	-	-	162,730
Instruction - Related Services	6,928	-	-	6,928
Pupil Services	689,206	-	-	689,206
Plant Services	27,095	-	-	27,095
Debt Service:				
Interest	-	231,146	-	231,146
Total Expenditures	<u>885,959</u>	<u>231,146</u>	<u>-</u>	<u>1,117,105</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(89,772)</u>	<u>(58,223)</u>	<u>5,193</u>	<u>(142,802)</u>
Other Financing Sources (Uses):				
Transfers In	10,000	-	-	10,000
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Net Change in Fund Balance	<u>(79,772)</u>	<u>(58,223)</u>	<u>5,193</u>	<u>(132,802)</u>
Fund Balance, July 1	280,631	342,687	99,648	722,966
Fund Balance, June 30	<u>\$ 200,859</u>	<u>\$ 284,464</u>	<u>\$ 104,841</u>	<u>\$ 590,164</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Adult Education Fund	Child Development Fund
ASSETS:		
Cash in County Treasury	\$ 10,903	\$ 78,290
Accounts Receivable	11	221
Due from Grantor Governments	-	6,489
Stores Inventories	-	-
Total Assets	<u>10,914</u>	<u>85,000</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 6	\$ 179
Due to Other Funds	-	386
Total Liabilities	<u>6</u>	<u>565</u>
Fund Balance:		
Nonspendable Fund Balances:		
Stores Inventories	-	-
Restricted Fund Balances	-	10
Committed Fund Balances	10,908	-
Assigned Fund Balances	-	84,425
Total Fund Balance	<u>10,908</u>	<u>84,435</u>
Total Liabilities and Fund Balances	<u>\$ 10,914</u>	<u>\$ 85,000</u>

EXHIBIT C-3

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 7,011	\$ 446	\$ 96,650
151	1	384
102,671	-	109,160
3,913	-	3,913
<u>113,746</u>	<u>447</u>	<u>210,107</u>
\$ 8,677	\$ -	\$ 8,862
-	-	386
<u>8,677</u>	<u>-</u>	<u>9,248</u>
3,913	-	3,913
36,846	-	36,856
-	447	11,355
64,310	-	148,735
<u>105,069</u>	<u>447</u>	<u>200,859</u>
\$ 113,746	\$ 447	\$ 210,107

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Child Development Fund
Revenues:		
Federal Revenue	\$ -	\$ -
Other State Revenue	38,866	105,258
Other Local Revenue	7,920	765
Total Revenues	<u>46,786</u>	<u>106,023</u>
Expenditures:		
Current:		
Instruction	58,969	103,761
Instruction - Related Services	6,928	-
Pupil Services	4,638	-
Plant Services	-	-
Total Expenditures	<u>70,535</u>	<u>103,761</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(23,749)</u>	<u>2,262</u>
Other Financing Sources (Uses):		
Transfers In	10,000	-
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>-</u>
Net Change in Fund Balance	(13,749)	2,262
Fund Balance, July 1	24,657	82,173
Fund Balance, June 30	<u>\$ 10,908</u>	<u>\$ 84,435</u>

EXHIBIT C-4

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ 601,900	\$ -	\$ 601,900
35,943	-	180,067
5,530	5	14,220
<u>643,373</u>	<u>5</u>	<u>796,187</u>
-	-	162,730
-	-	6,928
684,568	-	689,206
27,095	-	27,095
<u>711,663</u>	<u>-</u>	<u>885,959</u>
(68,290)	5	(89,772)
-	-	10,000
<u>-</u>	<u>-</u>	<u>10,000</u>
(68,290)	5	(79,772)
173,359	442	280,631
<u>\$ 105,069</u>	<u>\$ 447</u>	<u>\$ 200,859</u>

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2018

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 33,669	\$ -	\$ 70,888	\$ 104,557
Accounts Receivable	91	-	193	284
Total Assets	<u>33,760</u>	<u>-</u>	<u>71,081</u>	<u>104,841</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Assigned Fund Balances	\$ 33,760	\$ -	\$ 71,081	\$ 104,841
Total Fund Balance	<u>33,760</u>	<u>-</u>	<u>71,081</u>	<u>104,841</u>
Total Liabilities and Fund Balances	<u>\$ 33,760</u>	<u>\$ -</u>	<u>\$ 71,081</u>	<u>\$ 104,841</u>

SAN PASQUAL VALLEY UNIFIED 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	Special Reserve Fund for Capital Outlay Projects	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	\$ 4,542	\$ 651	\$ 5,193
Total Revenues	<u>4,542</u>	<u>651</u>	<u>5,193</u>
Expenditures:			
Current:			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,542</u>	<u>651</u>	<u>5,193</u>
Net Change in Fund Balance	4,542	651	5,193
Fund Balance, July 1	29,218	70,430	99,648
Fund Balance, June 30	<u>\$ 33,760</u>	<u>\$ 71,081</u>	<u>\$ 104,841</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 PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2018

The San Pasqual Valley Unified School District was established in July 1954 and is comprised of an area of approximately 1,189 square miles in Imperial County. There were no changes in the boundaries of the district during the current year. The district is currently operating one elementary, one intermediate, and one high school. The district also maintains a continuation high school and community day school.

Governing Board		
Name	Office	Term and Term Expiration
Lisa Aguerro	President	Four year term Expires December 2020
Bernadine Swift Arrow	Vice President	Four year term Expires December 2020
Sally DeCorse	Clerk	Four year term Expires December 2020
Thomas Jefferson	Member	Four year term Expires December 2022
Sofia Dominguez	Member	Four year term Expires December 2022

Administration

Rauna Fox
Superintendent

Kish Curtis
Chief Business
Official

SAN PASQUAL VALLEY UNIFIED 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	196.19	N/A	195.63	N/A
Extended Year Special Education	0.08	N/A	0.08	N/A
TK/K-3 Totals	196.27	N/A	195.71	N/A
Grades 4-6:				
Regular ADA	160.09	N/A	160.03	N/A
Extended Year Special Education	0.14	N/A	0.14	N/A
Grades 4-6 Totals	160.23	N/A	160.17	N/A
Grades 7 and 8:				
Regular ADA	105.32	N/A	104.10	N/A
Extended Year Special Education	0.07	N/A	0.07	N/A
Community Day School	4.69	N/A	4.90	N/A
Grades 7 and 8 Totals	110.08	N/A	109.07	N/A
Grades 9-12:				
Regular ADA	188.78	N/A	186.68	N/A
Community Day School	2.96	N/A	2.44	N/A
Grades 9-12 Totals	191.74	N/A	189.12	N/A
ADA Totals	658.32	N/A	654.07	N/A

N/A - There were no audit findings which resulted in necessary revisions to attendance.

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 PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018

TABLE D-2

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Transitional Kindergarten	36,000	49,500	180	-	Complied
Kindergarten	36,000	61,580	180	-	Complied
Grade 1	50,400	58,440	180	-	Complied
Grade 2	50,400	58,440	180	-	Complied
Grade 3	50,400	58,440	180	-	Complied
Grade 4	54,000	58,440	180	-	Complied
Grade 5	54,000	58,440	180	-	Complied
Grade 6	54,000	65,810	180	-	Complied
Grade 7	54,000	65,810	180	-	Complied
Grade 8	54,000	65,810	180	-	Complied
Grade 9	64,800	65,580	180	-	Complied
Grade 10	64,800	65,580	180	-	Complied
Grade 11	64,800	65,580	180	-	Complied
Grade 12	64,800	65,580	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 PASQUAL VALLEY UNIFIED 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	\$ 13,931,836	\$ 13,947,795	\$ 13,262,010	\$ 14,099,708
Expenditures, other uses and transfers out	14,709,217	14,102,389	13,782,041	13,930,917
Change in fund balance (deficit)	(777,381)	(154,594)	(520,031)	168,791
Ending fund balance	\$ 4,913,535	\$ 5,690,916	\$ 5,845,510	\$ 6,365,541
Available reserves (See Note 2)	\$ 4,306,885	\$ 5,094,977	\$ 5,325,479	\$ 6,060,753
Available reserves as a percentage of total outgo	29.3%	36.1%	38.6%	43.5%
Total long-term debt	\$ 18,632,379	\$ 19,845,800	\$ 18,689,736	\$ 8,900,951
Average daily attendance at P-2	660	658	659	673

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

The general fund balance has decreased by \$505,834 over the past three years. The fiscal year 2018-19 budget projects a decrease of \$777,381. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, other uses and transfers out.

Long-term debt has increased by \$10,994,849 over the past two years.

Average daily attendance (ADA) has decreased by 39 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 assigned fund balances, all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
3. On behalf payments of \$339,466, \$407,388, and \$322,083, have been excluded from the calculation of available reserves as a percentage of total outgo for the fiscal years ending June 30, 2018, 2017 and 2016.
4. As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) and Special Reserve Fund for Postemployment Benefits (Fund 20) were included with the general fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the general fund.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT

TABLE D-4

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

	General Fund	Special Reserve Fund Postemployment Benefits	Special Reserve Fund Other Than Capital Outlay Projects
June 30, 2018, annual financial and budget report fund balances	\$ 5,690,916	\$ 929,780	\$ 1,112,038
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
GASB # 54 inclusion of special reserve funds	2,041,818	(929,780)	(1,112,038)
June 30, 2018, audited financial statement fund balances	\$ 7,732,734	\$ -	\$ -
	Schedule of Long-Term Liabilities		
June 30, 2018, annual financial and budget report total liabilities	\$ 18,694,748		
Adjustments and reclassifications:			
Increase (decrease) in total liabilities:			
Net OPEB obligation understatement	634,504		
Net bond premium overstatement	(13,228)		
Net pension liability understatement	579,776		
Net adjustments and reclassifications	1,201,052		
June 30, 2018, audited financial statement total liabilities	\$ 19,895,800		

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 PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2018

TABLE D-5

No charter schools are chartered by San Pasqual Valley Unified School District.

Charter Schools

Included In
Audit?

None

N/A

SAN PASQUAL VALLEY UNIFIED 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
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13526	\$ -	\$ 108,747
National School Lunch Section 4	10.555	13391	-	45,289
National School Lunch Section 11	10.555	13396	-	296,225
Non-cash Commodities	10.555	13396	-	17,689
National School Lunch Meal Supplements	10.555	23165	-	27,963
Total Passed Through State Department of Education			-	495,913
Total U. S. Department of Agriculture			-	495,913
Total Child Nutrition Cluster			-	495,913
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Special Education IDEA Basic	84.027	13379	-	159,179
Total U. S. Department of Education			-	159,179
Total Special Education (IDEA) Cluster			-	159,179
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Direct Program:				
Impact Aid - P.L. 81.874	84.041	-	-	3,540,876
Passed Through State Department of Education:				
Title I	84.010	14329	-	435,750
Migrant Education Summer	84.011	10005	-	24,844
Migrant Education	84.011	14326	-	37,231
Migrant Education Even Start	84.011	14768	-	3,952
Vocational Education	84.048	14894	-	9,969
Indian Education	84.060	10011	-	68,821
Title VI - Rural and Low Income Schools	84.358	14356	-	17,603
Title III - LEP	84.365	14346	-	22,031
Title II - Teacher Quality	84.367	14341	-	41,358
Total Passed Through State Department of Education			-	661,559
Total U. S. Department of Education			-	4,202,435
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
Child and Adult Care Food Program	10.558	13394	-	106,742
Total U. S. Department of Agriculture			-	106,742
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 4,964,269

The accompanying notes are an integral part of this schedule.

SAN PASQUAL VALLEY UNIFIED 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 Pasqual Valley Unified 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.

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 9.19% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The School did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

<u>Program</u>	<u>CFDA #</u>	<u>Indirect Cost Rate</u>
Title III Limited English Proficiency	84.365	2.09%
Indian Education	84.060	7.31%

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 it's schoolwide program:

<u>Program</u>	<u>CFDA #</u>	<u>Amount Expended</u>
Title I	84.010	\$435,750

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.

Other Independent Auditor's Reports

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

Board of Trustees
San Pasqual Valley Unified School District
Winterhaven, 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 Pasqual Valley Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise San Pasqual Valley Unified School District's basic financial statements and have issued our report thereon dated February 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the San Pasqual Valley Unified 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 Pasqual Valley Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the San Pasqual Valley Unified School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2018-001, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the San Pasqual Valley Unified 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

San Pasqual Valley Unified School District's Response to Findings

San Pasqual Valley Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. San Pasqual Valley Unified 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 Hobbie King & Co, LLP

El Cajon, California
February 28, 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 Pasqual Valley Unified School District
Winterhaven, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the San Pasqual Valley Unified 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 Pasqual Valley Unified School District's major federal programs for the year ended June 30, 2018. San Pasqual Valley Unified 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 Pasqual Valley Unified 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 Pasqual Valley Unified 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 Pasqual Valley Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the San Pasqual Valley Unified 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 Pasqual Valley Unified 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 Pasqual Valley Unified 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 Pasqual Valley Unified 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.

Williamson Hubley King & Co., LLP

El Cajon, California
February 28, 2019

Independent Auditor's Report on State Compliance

Board of Trustees
San Pasqual Valley Unified School District
Winterhaven, 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>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Yes
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
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	Yes
Before School	N/A
General Requirements	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
CHARTER SCHOOLS:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

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

We did not perform testing for Independent Study. The procedure was not required to be performed because the ADA was below that which requires testing.

Opinion on State Compliance

In our opinion, San Pasqual Valley Unified 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.

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
February 28, 2019

Findings and Recommendations Section

SAN PASQUAL VALLEY UNIFIED 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:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?

 Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses?

 X Yes None Reported

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:

CFDA Number(s)

Name of Federal Program or Cluster

10.555

Child Nutrition

84.041

Impact Aid

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes 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?

 Yes X No

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

Unmodified

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

B. Financial Statement Findings

Finding Number: Finding 2018-001
Repeat Finding: Yes
Description: Associated Student Body Funds
Type of Finding: Internal Control - Significant Deficiency (30000)

Criteria or Specific Requirement

Determine if internal controls are in place over the student body funds that ensure all student body deposits and disbursements are properly maintained, clerically accurate, and have supporting documentation to ensure the safeguard of assets of the student body accounts.

Condition

In our review of the receipts and deposits in the student activities account for San Pasqual Valley High School and Middle School, we noted football games and other event sales do not have proper supporting ticket reconciliations which reflect an actual cash over/short. In addition, three of the thirty two expenditures tested did not have an invoice.

Questioned Costs

None

Context

We tested ASB receipts and disbursements at both San Pasqual Valley High School and San Pasqual Valley Middle School. Both the High School and the Middle School had instances where event sales did not have proper ticket reconciliations and the High School had instances where disbursements were not supported by an invoice.

Effect

The Associated Student Body Funds are exposed to risk of material misstatement, whether due to error or fraud, that may not be detected by the District through the normal course of their duties.

Cause

The District has not enforced requirements that ASB receipts are properly documented and ASB disbursements are properly documented.

Recommendation

Continue to provide training to individuals responsible for student body operations and have District personnel monitor transactions on a monthly basis. Require that ticket reconciliations be completed for all event sales and require that all disbursements have an invoice to support the expenditure.

Views of Responsible Officials

See Corrective Action Plan

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

None



Excellence in Education~
Making the Dream Come True

San Pasqual Valley Unified School District

Route 1, 676 Baseline Road, Winterhaven, CA 92283

Phone: (760) 572-0222 FAX: (760) 572-0711

Rauna Fox
District Superintendent

February 29, 2019

To Whom It May Concern:

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Uniform Guidance. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

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

Sincerely,

Kish Curtis
CBO



Board of Trustees

Bernadine Swift Arrow

Lisa Aguerro

Sally Ann DeCorse

Tomas Jefferson

Sofia Dominguez

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018

Findings and Questioned Costs Related to Internal Controls

Finding Number: 2018-001
Program Name: Associated Student Body
Contact Person: Kish Curtis
Anticipated Completion Date: June 30, 2019
Planned Corrective Action: The District will provide additional training to ASB clerks and advisors regarding the requirements to have adequate controls over ASB receipts and disbursements. In addition the District will monitor the ASB accounts on a monthly basis. Items to be verified include properly completed ticket reconciliations, and ensuring that all disbursements are supported by and invoice.

SAN PASQUAL VALLEY UNIFIED 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 Associated Student Body Accounts</p> <p><u>Condition</u> At San Pasqual Valley High School supporting documents for football games and othe event sales did not have proper ticket reconciliations. In addition, some advances for money received did not have proper initials and signatures for money recieved.</p> <p><u>Audit Recommendation</u> Provide training to individuals involved in student account operations and have Districtpersonnel monitor transactions on a monthly basis. Ensure ticket reconciliations are completed for all event sales and ensure meal advances ave proper initials and signatures.</p>	<p>Partially Implemented</p>	
<p>Finding 2017-002 Attendance</p> <p><u>Condition</u> Class rosters at San Pasqual Valley Elementary School, San Pasqual Valley High School, and Maines Continuation High School were not being printed and verified within one week after the end of the attendance period.</p> <p><u>Recommendation</u> Implement procedures to ensure class rosters are printed timely and are signed, dated, and verified within one week after the end of the attendance period.</p>	<p>Implemented</p>	