

**SAN MARINO UNIFIED SCHOOL DISTRICT  
LOS ANGELES COUNTY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
INCLUDING REPORTS ON COMPLIANCE  
June 30, 2017**

**SAN MARINO UNIFIED SCHOOL DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
San Marino Unified School District  
1665 West Drive  
San Marino, 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 Marino Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, which statements reflect total assets of \$8.5 million and total revenues of \$5.1 million for the year ended June 30, 2017. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 entity's preparation and fair presentation of the financial statements in order to design audit

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
San Marino Unified School District  
San Marino, California

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 in the aforementioned table of contents, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

During fiscal year ended June 30, 2017, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of these standards, the District reported a restatement for the cumulative effect of the change in accounting principle (see Note 17). Our auditor's opinion was not modified with respect to the restatement.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information schedules as listed in the aforementioned 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

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
San Marino Unified School District  
San Marino, California

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 District's basic financial statements. The supplementary schedules, combining non-major fund financial statements, and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary sections, as listed in the table of contents, including 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017 on our consideration of the 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 the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP  
Glendora, California  
December 11, 2017

**SAN MARINO UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2017**

**INTRODUCTION**

This discussion and analysis of San Marino Unified School District’s (the District) financial performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2017. This information is to be read in conjunction with the District’s financial statements, which immediately follows this section.

**FINANCIAL HIGHLIGHTS**

The District’s 2016-17 Budget was based on the final state budget for K–12 Education under the Local Control Funding Formula.

Certificated and classified employee salaries were adjusted for step and column, and longevity steps, along with a 1% off-schedule salary adjustment. The District continued to offer Anthem Blue Cross, Kaiser HMO medical insurance as well as dental, vision, life insurance to all eligible employees. The District has a health benefits savings fund whereby savings in any given year is reserved to offset future year premium increases. After application of any savings amounts, employees are responsible for 10% of premium costs for employee-only coverage, and 30% of premium costs for two-party and family coverage. Both the District and employees’ share of health benefit premium costs increased in 2016-17. The Health and Welfare Fund was collapsed into the General Fund as part of the audited financial statements in compliance with GASB Statement No. 54 requirements.

The average daily attendance (ADA) used for Local Control Funding Formula calculation purposes in 2016-17 totaled 3,056.78 ADA.

During the 2016-17 fiscal year, the District Budget and cash flow expenditures were closely monitored and expenditures were limited and/or withheld where possible, given the uncertainty of State finances. In compliance with GASB Statement No. 54, the District’s financial statements combine the Special Reserve Fund for Other Than Capital Outlay Projects (Cash Flow Fund) and the General Fund for reporting purposes.

The District reduced its outstanding long-term debt relating to general obligation bonds by \$2,414,383.

The District received \$6.5 million, net of costs of delivery, from the issuance of Certificates of Participation (“COP”) for construction of the Barth Athletics Complex. The athletics complex will include new full-size gymnasium, multi-purpose room, fitness center, locker rooms, and two state-of-the-art media classrooms for the students at Huntington Middle School. The project is being funded in part by District capital funds, local donations, and proceeds from the COP. The debt service payments for the first four years (2017-18 through 2020-21) will be fully funded by local donations in accordance with an agreement between private donors and the District. The District

**SAN MARINO UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2017**

**FINANCIAL HIGHLIGHTS (continued)**

could pay off the entire outstanding COP debt issuance principle if a local general obligation bond were approved by voters in the future.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – Management discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District’s overall financial status and which uses the full accrual method of accounting. The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District’s operations in more detail than the District-wide statements, based on the modified method of accounting.

The *Governmental funds* statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

*Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The District has two kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or less financial resources to finance the District’s programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information in the notes to the financial statements.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others and/or are assigned for restricted purposes, namely, the student body activities funds and other post-employment benefits trust. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District’s fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.



**SAN MARINO UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The Statement of Net Position is summarized below:

	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>Variance</u>
<b>Assets</b>			
Cash	\$ 17,726,568	\$ 15,599,077	\$ (2,127,491)
Cash with Fiscal Agent		6,505,207	6,505,207
Accounts receivable	732,554	1,053,892	321,338
Inventories	14,600	14,170	(430)
Other post-employment benefits asset *	484,177		(484,177)
Capital assets, net	59,442,015	56,936,628	(2,505,387)
<b>Total Assets</b>	<u>78,399,914</u>	<u>80,108,974</u>	<u>1,709,060</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources - pensions	6,465,438	10,175,280	3,709,842
<b>Total Deferred Outflows of Resources</b>	<u>6,465,438</u>	<u>10,175,280</u>	<u>3,709,842</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	6,068,824	2,807,544	(3,261,280)
Unearned revenue	248,231	105,564	(142,667)
Long term liabilities	70,109,329	84,870,172	14,760,843
<b>Total Liabilities</b>	<u>76,426,384</u>	<u>87,783,280</u>	<u>11,356,896</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources - pension costs	3,218,765	1,779,391	(1,439,374)
<b>Net Position</b>			
Invested in capital assets, net of related debt	19,641,645	13,180,641	(6,461,004)
Restricted	7,342,780	13,546,484	6,203,704
Unrestricted	(21,764,222)	(26,005,542)	(4,241,320)
<b>Total Net Position</b>	<u>\$ 5,220,203</u>	<u>\$ 721,583</u>	<u>\$ (4,498,620)</u>

\* The June 30, 2016 balance has not been restated for the adoption of Governmental Accounting Standards Board Statement (GASB) No. 74, Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans and No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. See Note 17.

**Net Position.** The District's combined net position as of June 30, 2017 decreased by \$4,498,620 due to the adoption of GASB Statements 74 and 75 related to the recognition of other post-employment health benefits, increases in the net pension liability and the planned spend down of one-time carryover monies .

**SAN MARINO UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

The Statement of Revenues, Expenses and Changes in Net Position is summarized below:

	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>Variance</u>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 1,667,687	\$ 1,625,092	\$ (42,595)
Operating grants and contributions	7,656,189	7,146,162	(510,027)
General revenues:			
Property taxes	22,233,521	23,464,326	1,230,805
Grants, subsidies and unrestricted contributions	13,066,093	12,406,271	(659,822)
Interest and investment earnings	113,030	126,186	13,156
Interagency revenues	154,856		(154,856)
Miscellaneous	3,202,869	2,570,972	(631,897)
Total revenues	<u>48,094,245</u>	<u>47,339,009</u>	<u>(755,236)</u>
<b>Expenses</b>			
Instruction	24,784,171	26,568,692	1,784,521
Instruction related services	3,801,628	3,938,415	136,787
Pupil services	4,387,658	4,640,905	253,247
Ancillary services	462,335	601,347	139,012
Community services	247,724	185,952	(61,772)
General administration	4,265,808	4,101,831	(163,977)
Plant services	4,530,756	4,570,703	39,947
Other outgo and debt service	2,349,005	2,232,267	(116,738)
Depreciation (unallocated)	4,198,172	4,248,452	50,280
Total expenses	<u>49,027,257</u>	<u>51,088,564</u>	<u>2,061,307</u>
<b>Increase (Decrease) in Net Position</b>	<u>(933,012)</u>	<u>(3,749,555)</u>	<u>(2,816,543)</u>
<b>Net Position, Beginning of Year, before restatement</b>	6,153,215	5,220,203	(933,012)
Cumulative effect of change in accounting principles	-	(749,065)	(749,065)
<b>Net Position, Beginning of Year, as restated</b>	<u>6,153,215</u>	<u>4,471,138</u>	<u>(1,682,077)</u>
<b>Net Position, End of Year</b>	<u>\$ 5,220,203</u>	<u>\$ 721,583</u>	<u>\$ (4,498,620)</u>

\* The June 30, 2016 balance has not been restated for the adoption of Governmental Accounting Standards Board Statement (GASB) No. 74, Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans and No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. See Note 17.

**SAN MARINO UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Changes in net position, governmental activities.** Revenues decreased by \$755,236 primarily due to a decrease in operating grants and miscellaneous as a result of a decline in funded Average Daily Attendance, less discretionary one-time funding from the state, other state categorical programs (i.e Educator Effectiveness Grant, etc.), and the loss of separate ROP funding. Expenditures increased by \$2,061,307. The majority of the expenditure increase represents accounting entries for increased pension expenses. Within the District's General Fund, expenditures actually decreased by a net of \$913,742, after accounting for adjustments in step and column adjustments, a one-time salary 1% off-schedule adjustment for all employees, increases in employer CalSTRS and CalPERS contributions, and health benefit contributions. General Fund expenditure reductions were made based on adjustments including lower student enrollment, less one-time state funding, and the loss of ROP funding. The District's net position decreased by \$4,498,620 primarily based on the planned spend-down of one-time carry-over balances.

**Governmental Activities**

The sound financial condition of the District can be credited to the following management actions:

- Conservative District philosophy focused on long-term financial stability, and fiscal and cash flow management.
- Internal control procedures require budget allocation and approval prior to creation of new positions.
- Budget control through monthly budget adjustments, reconciliation of actual personnel costs to budgeted costs, detailed line-item budget, and frequent updates of multi-year budget projections based on the most recent information received from the State.
- Class sizes in all grade levels are monitored and adjusted as needed.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is primarily reflected in its General Fund. As the District completed this year, its General Fund ending balance, was \$2,752,417. This is exclusive of funds required to be reported with the General Fund as described in Note 1. The District has been challenged in meetings its minimum fund balance policy of 5% given the significant increases in CalSTRS and CalPERS employer contributions.

The financial performance of the District's other funds are as follows:

**Food Services Fund 13.0**

The Food Services Fund ended the 2016-17 fiscal year with a balance of \$29,991. \$11,412 represents inventory on hand at June 30, 2017. Amounts in the fund are dedicated to food service operations.

**SAN MARINO UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)**

**Deferred Maintenance 14.0**

The Deferred Maintenance Fund ended the 2016-17 fiscal year with a balance of \$800,960. These funds are designated for maintenance of District buildings and facilities.

**Health Benefits Reserve Fund 17.0**

The Health Benefits Fund ended the 2016-17 year with a balance of \$3,582. In 2016-17, the District received rebates from the Section 125 Program and, in accordance with its negotiated agreements with employee units, all realized rebates and savings are transferred to the Health Benefits Reserve Fund to offset future year premium increases.

**Cash Flow Fund 17.2**

The Cash Flow Fund ended the 2016-17 fiscal year with a balance of \$3,976,612. The fund is used to help the District in meeting its cash flow requirements and to offset deficits as a result of increases in employer contributions for CalSTRS and CalPERS.

**Capital Facilities 25.0**

The fund ended the 2016-17 fiscal year with a balance of \$1,175,703. The funds are restricted for construction of the Barth Athletics Complex at Huntington Middle School.

**Capital Improvement Fund 40.0**

The fund ended the 2016-17 fiscal year with a balance of \$7,508,263. The funds are restricted for construction of the Barth Athletics Complex at Huntington Middle School.

**Bond Interest & Redemption Fund 51.0**

The fund ended the 2016-17 fiscal year with a balance of \$4,411,627. The fund represents the pass-through of revenue sources and expended outflows associated with the District's issuance of general obligation bonds in 1996 and 2000. These funds are not considered "District" funds and they cannot be used for any other purpose other than to pay bondholders.

**SAN MARINO UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2017**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board of Education for their approval to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District’s year–end actuals, current and future year financial projections based on State and local financial assumptions.

Budget adjustments to revenues and expenditures for the year include:

- Additional contributions received from the San Marino Schools Foundation, and PTA/PTSA’s and parent donations for specific purposes
- Salary and benefit adjustments
- Assigned carry–over amounts
- Changes in federal, state and other local income

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of the 2016-2017 fiscal year, the District had increased its capital assets due to various technology, capital and deferred maintenance projects throughout the District. Net capital assets decreased based on the accumulated depreciation calculation. See Note 7 for additional information.

	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Land	\$ 380,500	\$ 380,500
Construction in Progress	1,028,889	1,891,487
Site Improvements	13,291,874	13,334,263
Buildings and Improvements	83,782,713	84,385,973
Furniture and Equipment	<u>5,380,358</u>	<u>5,615,176</u>
Total	103,864,334	105,607,399
Less Accumulated Depreciation	<u>(44,422,319)</u>	<u>(48,670,771)</u>
Capital Assets, Net	<u>\$ 59,442,015</u>	<u>\$ 56,936,628</u>

**SAN MARINO UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2017**

**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Long-Term Debt**

At year-end, the District had approximately \$84.8 million in long-term debt, a decrease of nearly 15% from the prior year. This decrease is due to the repayment of the 1996, and 2000 General Obligation Bonds. See Note 8 for additional information.

Standard and Poor’s Rating Services (S&P) affirmed the District’s bonded debt rating at AA+ and Moody’s affirmed the District’s bonded debt rating at Aa1.

	<u>June 30, 2016</u>	<u>June 30, 2017</u>
General Obligation Bonds	\$39,800,370	\$37,385,987
Certificates of Participation	-	6,370,000
Compensated Absences	329,923	307,611
PARS SERP	630,250	506,498
Net OPEB Liability (*)	-	179,304
Net Pension Liability	<u>33,031,348</u>	<u>40,120,772</u>
Total Long-Term Debt	<u>\$ 73,791,891</u>	<u>\$ 84,870,172</u>

*\* The June 30, 2016 balance has not been restated for the adoption of Governmental Accounting Standards Board Statement (GASB) No. 74, Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans and No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. See Note 17.*

**PARCEL TAXES**

The District has two parcel taxes or special assessments that help to support the high quality of education that its schools provide for all students. The District has had a parcel tax in place since 1991 and the community is supportive of continuing excellence in educational programs in San Marino Schools.

**Measure R**

On March 12, 2013, the District voters approved the renewal of Measure R, one of the District’s two parcel tax. The assessment for the 2016-17 fiscal year was \$344.73 per parcel. It is adjusted annually by the Los Angeles Metropolitan Statistical Area Consumer Price Index for a six (6) year term for those parcels located within the boundaries of the San Marino Unified School District.

**SAN MARINO UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2017**

**PARCEL TAXES (continued)**

The special assessment funds are used to retain and attract qualified teachers and counselors; maintain District-wide librarians; support academic programs in science and math; maintain reduced class sizes; support the maintenance of existing educational programs at current levels; prevent elimination of teaching specialists in the area of math and science; and, maintain adequate technology systems for all students by retaining technology service technicians.

**Measure E**

On March 10, 2015, the District voters approved renewal of Measure E, the second of the District’s two parcel taxes. The assessment for the 2016-17 fiscal year was \$880.57 per parcel. It is adjusted annually by the lesser of the County of the Los Angeles Statistical Area Consumer Price Index or three percent. The term of the parcel tax is six (6) years.

Proceeds received from Measure E are used to preserve core academic teaching positions, including English, math, social studies, history, and science; to preserve smaller class sizes at all grade levels; to preserve visual and performing arts instruction, foreign language offerings, physical education and athletic programs; to maintain advanced placement and honors courses; to maintain classroom computer systems, technology and personnel; and, to maintain academic and college counseling positions.

For both parcel tax assessments, the District has a procedure in place for special exemptions for contiguous parcels and/or for seniors (age 65 or older). Exemption applications are available from the beginning of January through June 30th of each year. In accordance with Government Code 50079, as of September 2016, senior exemptions will remain in effect for the length of “qualified special taxes,” which include parcel taxes.

In 2016-17, the District received \$5,519,211 in parcel tax revenues. The parcel tax revenues are critical to the District’s core instructional and support programs at all schools. Without the parcel tax revenues, the District would be forced to eliminate many of its core instructional programs and teachers, educational opportunities for its students would be restricted, and as a result 49 instructional and support positions would be subject to budget reductions.

In accordance with the Board of Education’s resolutions, the District publishes an annual Parcel Tax Accountability Report. This report can be found on the District’s website. The report includes detailed financial information on the key positions which are funded based on the parcel tax revenues.

**SAN MARINO UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2017**

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

As of November 2017, according to the Legislative Analyst's Office, state revenues are higher than projected, however, they also are expressing caution based on economic indicators that are signs of a forthcoming future recessionary period. The Local Control Funding Formula or LCFF, provides base grant funding, grade span adjustment funding for grades K-3, and 9-12, as well as targeted funding for transportation and unduplicated pupil counts (students who qualify for English language learning, free and reduced price meals, and foster youth). For the most part, LCFF benefits those school districts with high percentages of students in need (i.e. unduplicated pupil counts in excess of 55%). Additionally, the increase in employer contributions for CalSTRS and CalPERS has significantly impacted school district budgets. The increased costs associated with these programs consume nearly 40 percent of the District's new LCFF funding.

The District is fortunate to receive local support from the community with parcel tax revenues, San Marino Schools Foundation contributions, and parent and community donations to help continue the excellence in education that San Marino Unified School District is so well-known for.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Los Angeles County Office of Education, the California Department of Education, our parents, community members, investors, and creditors with a general overview of the District's finances and its management and reporting of the funds it receives.

For questions about this report or additional financial information, please contact Mrs. Julie Boucher, Assistant Superintendent, Business Services, San Marino Unified School District, 1665 West Drive; San Marino, California 91108, (626) 299-7000, ext. 1390, or email: [jboucher626@smusd.us](mailto:jboucher626@smusd.us). General information about the District and its financial reports can be accessed at its website at: [www.smusd.us](http://www.smusd.us).



## **FINANCIAL SECTION**

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2017**

	<u>Governmental Activities</u>	<u>San Marino Schools Foundation (Component Unit)</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 15,599,077	\$ 5,194,024
Cash with fiscal agent	6,505,207	
Accounts receivable	1,053,892	12,400
Prepaid expenses		4,031
Inventories	14,170	
Beneficial interest in assets held by California Community Foundation		3,323,809
Land	380,500	
Construction in progress	1,891,487	
Depreciable assets, net	<u>54,664,641</u>	
<b>Total Assets</b>	<u>80,108,974</u>	<u>8,534,264</u>
<b><u>Deferred Outflows of Resources</u></b>		
Deferred outflows - pensions	<u>10,175,280</u>	
<b>Total Deferred Outflows of Resources</b>	<u>10,175,280</u>	<u>-</u>
<b><u>Liabilities</u></b>		
Accounts payable and other current liabilities	2,407,626	1,012,952
Accrued interest	399,918	
Unearned revenue	105,564	
Current portion of long-term liabilities	3,795,000	
Non-current portion of long term liabilities	<u>81,075,172</u>	
<b>Total Liabilities</b>	<u>87,783,280</u>	<u>1,012,952</u>
<b><u>Deferred Inflows of Resources</u></b>		
Deferred inflows - pensions	<u>1,779,391</u>	<u>-</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	13,180,641	
Permanently restricted		1,142,250
Restricted for:		
Debt service	4,011,709	
Capital projects	8,564,246	
Educational programs	970,529	
Other		4,745,324
Unrestricted	<u>(26,005,542)</u>	<u>1,633,738</u>
<b>Total Net Position</b>	<u>\$ 721,583</u>	<u>\$ 7,521,312</u>

See accompanying notes to the financial statements.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2017**

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Total	San Marino Schools Foundation (Component Unit)
<b>Governmental Activities</b>					
Instruction	\$ 26,568,692	\$ 612,316	\$ 4,530,205	\$ (21,426,171)	\$
Instruction - related services	3,938,415	38,198	322,605	(3,577,612)	
Pupil services	4,640,905	948,187	1,089,253	(2,603,465)	
Ancillary services	601,347		443,041	(158,306)	
Community services	185,952		9,844	(176,108)	
General administration	4,101,831		210,278	(3,891,553)	
Plant services	4,570,703		491,668	(4,079,035)	
Other outgo	279,982	26,391	49,268	(204,323)	
Debt service - interest	1,952,285			(1,952,285)	
Depreciation (unallocated)	4,248,452			(4,248,452)	
<b>Total Governmental Activities</b>	<u>\$ 51,088,564</u>	<u>\$ 1,625,092</u>	<u>\$ 7,146,162</u>	<u>(42,317,310)</u>	<u>-</u>
<b>Component Unit</b>					
San Marino Schools Foundation	<u>\$ 2,463,454</u>	<u>\$ -</u>	<u>\$ 4,843,976</u>		<u>2,380,522</u>
<b>General Revenues</b>					
Property taxes levied for					
General purposes				13,246,501	
Debt service				4,684,332	
Other specific purposes				5,533,493	
Federal and state aid not restricted to specific purposes				12,406,271	
Interest and investment earnings				126,186	330,884
Interagency revenues					
Miscellaneous				2,570,972	
<b>Total General Revenues</b>				<u>38,567,755</u>	<u>330,884</u>
				Change in net position	
				<u>(3,749,555)</u>	<u>2,711,406</u>
<b>Net Position - Beginning of Year</b>				5,220,203	4,809,906
Cumulative effect of change in accounting principles (see note 17)				<u>(749,065)</u>	<u>-</u>
<b>Net Position - Beginning of Year After Restatement</b>				<u>4,471,138</u>	<u>4,809,906</u>
<b>Net Position - End of Year</b>				<u>\$ 721,583</u>	<u>\$ 7,521,312</u>

See accompanying notes to the financial statements.

# SAN MARINO UNIFIED SCHOOL DISTRICT

## BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2017

	General Fund	Special Reserve Fund - Capital Outlay	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>					
Cash in county treasury	\$ 8,603,282	\$ 1,167,260	\$ 4,411,627	\$ 1,235,596	\$ 15,417,765
Cash in bank				80,700	80,700
Cash in revolving fund	100,000			612	100,612
Cash with fiscal agent		6,505,207			6,505,207
Accounts receivable:					
Federal and state governments	-			8,337	8,337
Miscellaneous	1,015,572	6,574		23,409	1,045,555
Inventories	2,758			11,412	14,170
<b>Total Assets</b>	<b><u>\$ 9,721,612</u></b>	<b><u>\$ 7,679,041</u></b>	<b><u>\$ 4,411,627</u></b>	<b><u>\$ 1,360,066</u></b>	<b><u>\$ 23,172,346</u></b>
<b><u>Liabilities and Fund Balances</u></b>					
<b><u>Liabilities</u></b>					
Accounts payable	\$ 2,180,546	\$ 170,778	\$ -	\$ 56,302	\$ 2,407,626
Unearned revenue	7,494			98,070	105,564
<b>Total Liabilities</b>	<b><u>2,188,040</u></b>	<b><u>170,778</u></b>	<b><u>-</u></b>	<b><u>154,372</u></b>	<b><u>2,513,190</u></b>
<b><u>Fund Balances</u></b>					
Nonspendable	102,758			12,024	114,782
Restricted	964,451	7,388,543	4,411,627	1,181,781	13,946,402
Assigned	4,896,781	119,720		11,889	5,028,390
Unassigned	1,569,582				1,569,582
<b>Total Fund Balances</b>	<b><u>7,533,572</u></b>	<b><u>7,508,263</u></b>	<b><u>4,411,627</u></b>	<b><u>1,205,694</u></b>	<b><u>20,659,156</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 9,721,612</u></b>	<b><u>\$ 7,679,041</u></b>	<b><u>\$ 4,411,627</u></b>	<b><u>\$ 1,360,066</u></b>	<b><u>\$ 23,172,346</u></b>

See accompanying notes to the financial statements.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**June 30, 2017**

Total fund balances - governmental funds \$ 20,659,156

Amounts reported for governmental funds are different than the statement of net position because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds (see note 7) These assets consist of:

Land	\$ 380,500	
Construction in progress	1,891,487	
Depreciable assets, net	<u>54,664,641</u>	56,936,628

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

General obligation bonds (see note 9)	(37,385,987)	
Certificates of participation (see note 10)	(6,370,000)	
Compensated absences (see note 1 and note 8)	(307,611)	
Net OPEB liability (see note 11)	(179,304)	
Net pension liability (see note 12)	(40,120,772)	
Supplemental early retirement plan (see note 13)	<u>(506,498)</u>	(84,870,172)

In governmental funds, deferred outflows and inflows of resources are not reported because they are applicable to future periods (see notes 1 and 12.) Deferred outflows and inflows of resources at year-end consist of:

Deferred outflows - pensions	10,175,280	
Deferred inflows - pensions	<u>(1,779,391)</u>	8,395,889

Interest expense related to general obligation bonds was incurred but not accrued through June 30, 2017 (see note 9) (399,918)

Total net position - governmental activities \$ 721,583

See accompanying notes to the financial statements.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2017**

	General Fund	Special Reserve Fund - Capital Outlay	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local control funding formula sources:					
State apportionments	\$ 11,172,238	\$	\$	\$	\$ 11,172,238
Local sources	13,246,500				13,246,500
Total local control funding formula sources	24,418,738				24,418,738
Federal sources	901,609			118,621	1,020,230
Other state sources	3,469,109		16,455	2,115	3,487,679
Other local sources	12,644,888	27,898	4,697,350	961,322	18,331,458
<b>Total Revenues</b>	<b>41,434,344</b>	<b>27,898</b>	<b>4,713,805</b>	<b>1,082,058</b>	<b>47,258,105</b>
<b>Expenditures</b>					
Instruction	25,645,734				25,645,734
Instruction - related services	3,803,213				3,803,213
Pupil services	3,606,940			937,692	4,544,632
Ancillary services	601,521				601,521
Community services	180,539				180,539
General administration	3,857,768	182,635			4,040,403
Plant services	5,329,716	616,976		111,347	6,058,039
Other outgo	279,982				279,982
Debt service			4,481,463		4,481,463
<b>Total Expenditures</b>	<b>43,305,413</b>	<b>799,611</b>	<b>4,481,463</b>	<b>1,049,039</b>	<b>49,635,526</b>
Excess (deficiency) of revenues over expenditures	(1,871,069)	(771,713)	232,342	33,019	(2,377,421)
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of COPS		6,370,000			6,370,000
Premium from sale of COPS		312,635			312,635
Interfund transfers in		15,500		-	15,500
Interfund transfers out	(15,500)				(15,500)
<b>Total Other Financing Sources (Uses)</b>	<b>(15,500)</b>	<b>6,698,135</b>	<b>-</b>	<b>-</b>	<b>6,682,635</b>
Net changes in fund balance	(1,886,569)	5,926,422	232,342	33,019	4,305,214
<b>Fund Balances at Beginning of Year</b>	<b>9,420,141</b>	<b>1,581,841</b>	<b>4,179,285</b>	<b>1,172,675</b>	<b>16,353,942</b>
<b>Fund Balances at End of Year</b>	<b>\$ 7,533,572</b>	<b>\$ 7,508,263</b>	<b>\$ 4,411,627</b>	<b>\$ 1,205,694</b>	<b>\$ 20,659,156</b>

See accompanying notes to the financial statements.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2017**

Net change in fund balances - total governmental funds \$ 4,305,214

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 1,743,065	
Depreciation expense	<u>(4,248,452)</u>	
Excess (deficiency) of capital outlay over depreciation expense		(2,505,387)

Issuance of long-term debt is reported as proceeds in governmental funds but increases long-term liabilities in the statement of net position.

Certificates of participation		(6,370,000)
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Obligations for Early Retirement Incentives are recognized as payments are made in governmental funds but increases in long-term liabilities in the statement of net position

2017 Supplemental early retirement plan		(318,955)
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General obligation bond principal payments	\$ 3,525,000	
Supplemental early retirement plan, payments	<u>442,707</u>	3,967,707

In governmental funds, pension costs are recognized when the employer contribution is made, but in the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual basis pension costs and actual employer contribution was:

(1,940,208)

In governmental funds, postemployment healthcare costs are recognized when the employer payment is made, but in the statement of activities, postemployment healthcare costs are recognized on the accrual basis. The difference between accrual basis postemployment healthcare costs and actual employer payments was:

85,584

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest	114,795	
Increase in accreted interest	(1,110,617)	
Decrease in compensated absences	<u>22,312</u>	<u>(973,510)</u>

Change in net position of governmental activities		<u>\$ (3,749,555)</u>
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See accompanying notes to the financial statements.

**SAN MARINO UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2017**

	Associated Student Body Funds
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 416,680
<b>Total Assets</b>	<u>\$ 416,680</u>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 22,039
Funds held in trust	<u>394,641</u>
<b>Total Liabilities</b>	<u>\$ 416,680</u>

See accompanying notes to the financial statements.



**SAN MARINO UNIFIED SCHOOL DISTRICT**

**STATEMENT OF OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB)  
NET POSITION  
June 30, 2017**

	Retiree (OPEB) Trust
<b><u>Assets</u></b>	
Investments	\$ 748,547
<b>Total Assets</b>	<u>\$ 748,547</u>
<b>Net Position Held in Trust for Other Post-employment Benefits</b>	<u>\$ 748,547</u>

See accompanying notes to the financial statements.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN OTHER POST-EMPLOYMENT BENEFITS PLAN  
(OPEB) NET POSITION  
For the Fiscal Year Ended June 30, 2017**

	Retiree (OPEB) Trust
<b><u>Additions</u></b>	
Employer Contributions	\$ 102,794
Investment earnings	96,936
<b>Total Additions</b>	199,730
<b><u>Deductions</u></b>	
Benefit Payments	102,794
Operating expenses	2,913
<b>Total Deductions</b>	105,707
Change in net position	94,023
<b>Net Position Held in Trust for Other</b>	
<b>Post-employment Benefits, Beginning of Year</b>	654,524
<b>Net Position Held in Trust for Other</b>	
<b>Post-employment Benefits, End of Year</b>	\$ 748,547

See accompanying notes to the financial statements.

# SAN MARINO UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*, updated to conform to the most current financial and reporting requirements promulgated by the California Department of Education. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The significant accounting policies applicable to the District are described below.

#### **Basis of Presentation**

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements.

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position, a Statement of Activities, and fund financial statements.

#### **Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities displays information about the District as a whole. These statements include the financial activities of the primary government, including governmental activities of proprietary funds. Fiduciary funds are excluded.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District. Depreciation and interest expense have not been allocated to specific functions.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Financial Statements**

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

**Instruction:** includes the activities directly dealing with the interaction between teachers and students.

**Instruction-Related Services:** includes supervision of instruction, instructional library, media and technology, and school site administration.

**Pupil Services:** includes home-to-school transportation, food services, and other pupil services.

**Ancillary Services:** includes activities that are generally designed to provide students with experiences outside the regular school day.

**Community Services:** includes activities that provide services to community participants other than students.

**General Administration:** includes data processing services and all other general administration services.

**Plant Services:** includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

**Other Outgo:** includes transfers to other agencies.

**Debt Service:** includes principal and interest payments for long term debt.

The fiduciary fund expenditures are presented by natural classification.

# SAN MARINO UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Fund Accounting**

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations, and equities.

The Statement of Revenues, Expenditures and Changes in Fund Balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

#### **Governmental Funds – Major**

**General Fund:** used to account for all financial resources except those required to be accounted for in another fund. To comply with GASB reporting requirements, all activities of the Deferred Maintenance Fund and the Special Reserve Fund for Other Than Capital Outlay Projects are reported in the General Fund.

**Special Reserve Fund – Capital Outlay:** used to account for specific capital expenditures.

**Bond Interest and Redemption Fund:** used to account for the accumulation of resources for, and the payment of general obligation bond principal, interest and related costs.

#### **Governmental Funds – Non-Major**

**Special Revenue Funds:** used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

*Food Services Fund:* used to account for revenues received and expenditures made to operate the District's food services operations.

**Capital Projects Funds:** used to account for the financial resources that are restricted, committed or assigned for the acquisition and/or construction of major governmental general fixed assets.

*Capital Facilities Fund:* used to account for resources received from residential and commercial developer impact fees.

# SAN MARINO UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Fiduciary Funds**

**Associated Student Body Fund:** used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body. The District operates two Associated Student Body funds, one at the middle school and the other at the high school.

**Retiree (OPEB) Trust Fund:** used to accumulate irrevocable contributions for future retiree healthcare costs.

#### **Agency Activities**

The District operates a warrant pass-through fund as a holding account for amounts collected from employees for federal taxes, state taxes, and other contributions. The District had cash in the county treasury amounting to \$226,094 on June 30, 2017, which represents withholdings payable.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

The statements of other post-employment benefits (OPEB) plan net position and changes in other post-employment benefits plan net position of the Retiree (OPEB) Trust are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when made or when amounts are due to fund benefit payments due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

# SAN MARINO UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. Cash in the county treasury is recorded at cost, which approximates fair value.

#### **Receivables**

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible. Per Education Code Section 33128.1, a local education agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

#### **Investments**

Investments in the PARS Post-Employment Benefits (OPEB) Trust are reported at fair value.

#### **Inventories**

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2017, the inventory for supplies is \$2,758. The inventory for food is \$11,412.

#### **Capital Assets**

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Statement of Net Position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined by GASB. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20-30 years
Furniture and Equipment	5-20 years
Vehicles	6 years

Depreciation expense reported on the government-wide statement of activities excludes direct depreciation expense recorded to functions where applicable.

**Deferred Outflows of Resources**

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

***Deferred Outflows – Pensions:*** The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans, the effect of changes in proportion, and the difference between expected and actual experience. The deferred outflows – pensions will be deferred and amortized as detailed in Note 12 to the financial statements.

**Unearned Revenue**

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

**Compensated Absences**

Accumulated unpaid employee vacation benefits are recognized as a liability when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave, therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken. However, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.



# SAN MARINO UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Long-Term Obligations**

The District reports long-term debt of governmental funds at face value in the government-wide financial statements.

#### **Net Pension Liability**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

#### **Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources related to pensions results from the difference between the estimated and actual return on pension plan investments, the effect of changes in proportion and changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized as detailed in Note 12 to the financial statements.

#### **Net Position**

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

#### **Fund Balance Classification**

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

# SAN MARINO UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

**Restricted:** Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed:** Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Education. These amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

**Assigned:** Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The District Board of Education, through a formal action has given authority to the Superintendent or designee to assign amounts for a specific purpose that is neither restricted nor committed.

**Unassigned:** The residual fund balance for the General Fund and all other spendable amounts. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

#### **Spending Order Policy**

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted net position or fund balance is available.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Education has provided otherwise in its commitment or assignment functions.

#### **Minimum Fund Balance Policy**

The District has adopted a minimum fund balance policy in order to protect against revenue shortfalls and unexpected one-time expenditures. The District Board of Education recognizes that good fiscal management comprises the foundational support of the District. To make that support as effective as possible, the District Board of Education goal is to maintain a minimum

# **SAN MARINO UNIFIED SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2017**

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

balance of 5% of the District's general fund annual operating expenditures and transfers out. If the fund balance drops below 5%, the goal is to restore the balance at a rate of 1% per year as funding is made available.

#### **State Apportionments**

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. Second period to annual corrections for local control funding formula and other state apportionments (either positive or negative) are recorded in the year computed by the State.

#### **Property Taxes**

Secured property taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Taxes are payable in two installments on November 1<sup>st</sup> and February 1<sup>st</sup>. Unsecured property taxes are payable in one installment on or before August 31<sup>st</sup>.

Real and personal property tax revenues are reported in the same manner in which the county auditor records and reports actual property tax receipts to the California Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the state for local control funding formula purposes. Property taxes for debt service purposes are not material and have, therefore, not been accrued in the Government-wide financial statements.

#### **On-Behalf Payments**

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all school districts in California. The amount of on-behalf payments made for the District has been recorded in the fund financial statements.

#### **Contributed Services**

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

immaterial equipment and supplies which are not recorded upon receipt.

**Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Reporting Entity**

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Education.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB.

The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- 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 separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

## SAN MARINO UNIFIED SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Based upon the application of the criteria listed above, the following potential component units have been included in the District's reporting entity:

**The San Marino Schools Foundation (the Foundation):** Although the Foundation is a legally separate 501(c) 3 tax-exempt entity, it is reported in the financial statements using the discrete presentation method. The economic resources received or held by the Foundation are intended for the direct benefit of the District. The District Board of Education determines how the Foundation's annual contributions to the District are used. The Foundation also receives restricted donations and gifts for specific District or school purposes. During 2016-17, the Foundation contributed \$2,000,000 to the District to fund 22 teaching positions. Separate financial statements for the Foundation are available through the San Marino Schools Foundation's office.

**PARS Post-Employment Benefits Trust (the Trust):** The Trust is a multi-employer irrevocable governmental trust pursuant to Section 115 of the Internal Revenue Code for the purpose of funding district post-employment benefits. The District offers post-employment benefits through a single-employer plan funded within the Trust. Public Agency Retirement Services (PARS), as the Trust Administrator, retains the responsibility to oversee the management of the Trust, including the Trust's requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53622, that specifies; 1) that investments made are solely in the interest of the participants, 2) the investments are made with care and 3) there is diversification of investments so as to minimize risk. US Bank manages the investment of funds through established investment approaches and the San Marino Unified School District has the ability to direct investment decisions within this framework as they deem necessary. As such, the District acts as a fiduciary of the Trust. The financial activity of the Trust has been included in the financial statements of the District. The Trust does not issue a separate financial report.

The following potential component units have been excluded from the District's reporting entity:

**Various PTA/PTSA and School Connected Organizations:** Each of these types of organizations within the District were evaluated using the three criterion listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the organizations individually are not material to the District's financial statements.

#### **NOTE 2: BUDGETS**

By state law, the District Board of Education must approve a budget no later than July 1, using the Single Adoption Budget process. In connection with the Local Control Funding Formula, school districts are required to engage parents, students and community members in developing a

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 2: BUDGETS**

Local Control Accountability Plan (LCAP). The LCAP outlines a school district's goals as they relate to the eight state priorities, supporting actions and services, and how its budget will support its LCAP goals. Prior to a public hearing of a school district's budget, a separate public hearing of the school district's LCAP must be planned. The LCAP and Proposed District Budget are then approved at the same meeting of the District Board of Education.

These budgets are revised by the District Board of Education during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

**NOTE 3: DEPOSITS AND INVESTMENTS**

**Deposits**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2017, \$697,930 of the District's bank balance of \$1,197,930 was exposed to credit risk as follows:

<u>District's Bank Balance</u>	<u>June 30, 2017</u>
Uninsured and uncollateralized	\$ 697,930
Total	<u>\$ 697,930</u>

**Investments**

**Cash in County**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are carried at amortized cost which approximates fair value. Fair value of the pooled investment at June 30, 2017 is measured at 99.8% of amortized cost. The District's deposits in the fund are considered to be highly liquid.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 3: DEPOSITS AND INVESTMENTS**

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635 and 53648. The county is restricted to invest 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 funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statues and the County Board of Supervisors set forth the various investment policies that the Country Treasurer follow. The method used to determine the value of the participant’s equity withdrawn is based on the book value, which is amortized cost, of the participant’s percentage participation on the date of such withdrawals.

The pool sponsor’s annual financial report may be obtained from the Los Angeles County Public Affairs Office, Kenneth Hahn Hall of Administration, 500 W. Temple St, Room 358, Los Angeles, CA 90012.

**PARS Post-Employment Benefits Trust Pooled Investment**

Investments held by the PARS Post-Employment Benefits Trust (Trust) are limited to those within the terms of the trust agreement, any applicable plan documents and in accordance with California Code Section 53620 through 53622. The Trust adhered to the provisions of the investment policy during the fiscal year ended June 30, 2017.

*Investment Valuation*

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measurer an asset’s fair value. Fair value for the pooled investment has been determined using Net Asset Value per share (NAV). NAV is measured monthly based on the most recent bid and asking price of the underlying securities held in the pooled investment and reported based on the percentage participation at the end of each month. The Trust’s investment fair value measurement at June 30, 2017 is presented below:

	Net Asset Value
Investment	(NAV)
Pooled Investment	\$ <u>748,547</u>

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 3: DEPOSITS AND INVESTMENTS**

*Interest Rate Risk*

Interest risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Trust has a formal investment policy that outlines specific strategies as a means of managing its exposure to fair value losses arising from increasing interest rates. The District selected a discretionary investment approach whereby the District directs the Trustee to invest the assets of the Trust pursuant to a specified investment strategy. To manage risk, each targeted investment strategy is monitored to achieve target asset allocations and diversification.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Trust authorizes the use of a broad range of investment choices that have distinctly different risk and return characteristics, with the provision that all investments must continue to adhere to the underlying requirements of California Government Code Section 53622.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The Trust places no limit on the amount that may be invested in any one issuer. The District is exposed to concentration of credit risk whenever investments in any one issuer exceed 5%. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

**NOTE 4: ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2017 consists of the following:

<u>Accounts Receivable</u>	<u>General Fund</u>	<u>Special Reserve Fund - Capital Outlay</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Federal and state	\$ 768,766	\$	\$ 8,337	\$ 777,103
Miscellaneous	246,806	6,574	23,409	276,789
Total accounts receivable	<u>\$ 1,015,572</u>	<u>\$ 6,574</u>	<u>\$ 31,746</u>	<u>\$ 1,053,892</u>



**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 5: INTERFUND TRANSACTIONS**

Interfund activity has been eliminated in the Government-wide statements. The following balances and transactions are reported in the fund financial statements.

**Interfund Transfers**

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2016-17 fiscal year are as follows:

Transfer from the General Fund to Capital Outlay Projects and Improvement Fund to fund future projects	<u>\$ 15,500</u>
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**NOTE 6: FUND BALANCES**

The following amounts were nonspendable, restricted, assigned or unassigned as shown below:

	General Fund	Special Reserve Fund - Capital Outlay	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>					
Cash in revolving fund	\$ 100,000	\$	\$	\$ 612	\$ 100,612
Inventories	2,758	-	-	11,412	14,170
Total nonspendable	102,758	-	-	12,024	114,782
<b>Restricted:</b>					
Capital Facilities				1,175,703	1,175,703
Legally restricted programs	964,451		4,411,627	6,078	5,382,156
Special Reserve for Non Cap Outlay		7,388,543			7,388,543
Total restricted	964,451	7,388,543	4,411,627	1,181,781	13,946,402
<b>Assigned:</b>					
Health and welfare increases	3,582				3,582
Cash Flow	3,976,612				3,976,612
Deferred Maintenance Projects	800,960				800,960
Food Service Operations				11,889	11,889
Special Reserve for Capital Outlay		119,720			119,720
Assigned for Carryover - School sites	115,627				115,627
Total assigned	4,896,781	119,720	-	11,889	5,028,390
<b>Unassigned:</b>					
Economic uncertainties	1,569,582				1,569,582
Total unassigned	1,569,582	-	-	-	1,569,582
Total fund balance	\$ 7,533,572	\$ 7,508,263	\$ 4,411,627	\$ 1,205,694	\$ 20,659,156

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 7: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES**

Capital asset activity for the year ended June 30, 2017 is shown below.

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 380,500	\$	\$	\$ 380,500
Construction in progress	1,028,889	1,508,247	645,649	1,891,487
Total capital assets not being depreciated	<u>1,409,389</u>	<u>1,508,247</u>	<u>645,649</u>	<u>2,271,987</u>
Capital assets being depreciated:				
Site improvements	13,291,874	42,389		13,334,263
Buildings	83,782,713	603,260		84,385,973
Equipment	5,380,358	234,818		5,615,176
Total capital assets being depreciated	<u>102,454,945</u>	<u>880,467</u>	<u>-</u>	<u>103,335,412</u>
Less accumulated depreciation for:				
Site improvements	5,190,960	665,984		5,856,944
Buildings	36,235,663	2,949,994		39,185,657
Equipment	2,995,696	632,474		3,628,170
Total accumulated depreciation	<u>44,422,319</u>	<u>4,248,452</u>	<u>-</u>	<u>48,670,771</u>
Depreciable assets, net	<u>58,032,626</u>	<u>(3,367,985)</u>	<u>-</u>	<u>54,664,641</u>
Governmental activities capital assets, net	<u>\$ 59,442,015</u>	<u>\$ (1,859,738)</u>	<u>\$ 645,649</u>	<u>\$ 56,936,628</u>

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 8: LONG-TERM DEBT – SCHEDULE OF CHANGES**

A schedule of changes in long-term debt for the year ended June 30, 2017 is shown below.

	Balance			Balance	Amount Due in
	July 1, 2016	Additions	Reductions	June 30, 2017	One Year
General obligation bonds					
Series 1998B	\$ 16,150,000	\$	\$ 1,440,000	\$ 14,710,000	\$ 1,565,000
Series 2000A	9,964,808		1,715,000	8,249,808	730,148
Accreted interest	11,135,562	1,110,617		12,246,179	1,089,852
Series 2001 refunding	2,550,000		370,000	2,180,000	390,000
Total general obligation bonds	<u>39,800,370</u>	<u>1,110,617</u>	<u>3,525,000</u>	<u>37,385,987</u>	<u>3,775,000</u>
Certificates of participation	-	6,370,000		6,370,000	20,000
PARS supplementary early retirement plan	630,250	318,955	442,707	506,498	
Compensated absences	329,923		22,312	307,611	
Net OPEB liability (*)	264,888		85,584	179,304	
Net pension liability	33,031,348	7,089,424		40,120,772	
Total	<u>\$ 74,056,779</u>	<u>\$ 14,888,996</u>	<u>\$ 4,075,603</u>	<u>\$ 84,870,172</u>	<u>\$ 3,795,000</u>

\* The July 1, 2016 balance has been restated by \$264,888 for the cumulative effect of the adoption of Accounting Standards Board Statement No. 74, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. See note 17.

Liabilities are liquidated by the General Fund for governmental activities. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund. Certificates of Participation liabilities are liquidated through private donations, developer fees, and general fund resources if necessary. In addition, the Certificates of Participation may be liquidated with future general obligation bonds proceeds if approved by the voters.

**NOTE 9: GENERAL OBLIGATION BONDS**

On June 4, 1996, the voters approved the issuance of \$34,330,000 in bonds to finance the construction and renovation of school buildings and facilities and paying related costs. On August 20, 1996 the District issued Series 1996 A bonds in the amount of \$6,615,000. On June 16, 1998, the District issued Series B bonds in the amount of \$27,715,000. These represent the second and final series of bonds sold based on the 1996 Election Authorization. Interest on the Series B bonds is payable semiannually on January 1 and July 1 of each year with final maturity June 1, 2023. The bonds bear an interest rate ranging from 3.95% to 5.25%.

On June 20, 2000, the voters approved the issuance of \$18,000,000 in bonds to complete the financing of construction, modernization and renovation of school buildings and facilities. On

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 9: GENERAL OBLIGATION BONDS**

August 31, 2000, the District issued Series 2000A bonds in the amount of \$17,999,808. The bonds consist of current interest bonds of \$9,750,000 fully maturing on July 1, 2016 and capital appreciation bonds of \$8,249,808 due through July 1, 2025. Interest on the current interest bonds is payable semi-annually on January 1 and July 1 of each year. The bonds bear an interest rate ranging from 4.50% to 5.50% through July 1, 2016. Capital appreciation bonds were issued as part of Series 2000A with maturity dates from July 1, 2017 through 2025. Prior to the applicable maturity date, each bond will accrue accreted interest on the principal components, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Interest rates range from 5.50% to 5.71% through July 1, 2025. Accreted interest accrued and included as an addition in the long-term debt schedule in 2016-17 is \$1,110,617 and the total accrued interest is \$12,246,179. The first payment was due July 1, 2017.

On April 12, 2001, the District refunded Series 1996 A bonds, the first series of bonds sold within the 1996 Election Authorization. The bonds consist of Serial Bonds in the amount of \$6,535,000. Interest due is payable semiannually on February 1 and August 1 of each year. The bonds bear an interest rate ranging from 3.00%-5.00%.

The District's bonds are not available for early redemption.

The outstanding general obligation bonded debt of the District at June 30, 2017 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2017
Measure A:					
1998 Series B	6/16/1998	Various	3.95%-5.25%	\$ 27,715,000	\$ 14,710,000
2000 Series A	8/31/2000	Various	4.5%-5.71%	17,999,808	8,249,808
2001 Refunding	4/12/2001	Various	3.00%-5.00%	6,535,000	2,180,000
				<u>\$ 52,249,808</u>	<u>\$ 25,139,808</u>

The annual debt service requirements to maturity for general obligation bonds are as follows:

**1998 Series B**

Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,565,000	\$ 712,169	\$ 2,277,169
2019	1,700,000	626,463	2,326,463
2020	1,840,000	533,538	2,373,538
2021	1,995,000	432,869	2,427,869
2022	2,155,000	326,625	2,481,625
2023	5,455,000	265,625	5,720,625
Total	<u>\$ 14,710,000</u>	<u>\$ 2,897,289</u>	<u>\$ 17,607,289</u>



**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 10: CERTIFICATES OF PARTICIPATION**

December 1, 2017 and terminating December 1, 2041. Debt service is due on June 1 and December 1 of each year. Fixed interest rates range from 2.00 % to 5.00 % per certificate for the length of the issuance.

The lease requires that lease payments be deposited in the lease payment fund maintained by the trustee. Any amount held in the lease payment fund will be credited towards the lease payment due and payable. The trustee will pay from the lease payment fund the required principal and interest payments as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 20,000	\$ 382,995	\$ 402,995
2019	55,000	310,175	365,175
2020	105,000	307,775	412,775
2021	160,000	303,000	463,000
2022	170,000	296,400	466,400
2023-2027	980,000	1,347,000	2,327,000
2028-2032	1,245,000	1,070,625	2,315,625
2033-2037	1,600,000	716,250	2,316,250
2038-2042	2,035,000	264,375	2,299,375
Total	<u>\$ 6,370,000</u>	<u>\$ 4,998,595</u>	<u>\$ 11,368,595</u>

Lease payments for years 2018 through 2021 will be funded by a private donor.

**NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS**

**Plan Description and Eligibility**

The District administers a single–employer defined benefit healthcare plan (Retiree Benefits Plan). The plan provides health, dental, vision and life insurance benefits to certain employees, retirees and their spouses. Both certificated and classified employees who have completed 10 years of service are eligible to participate in the Retiree Benefits Plan by paying premiums similar to those charged for the District’s active employees. For classified employees, coverage is limited to only those retirees under age 65 at the time of retirement and only until such time as the retiree reaches age 65. Participation is limited to classified employees who have held medical coverage during the 5 years immediately preceding their retirement.

Benefit provisions are established through negotiations between the District and the bargaining unions representing employees and are renegotiated each three–year bargaining period. The Retiree Benefits Plan does not issue a separate financial report.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS**

Membership in the health benefit plan consisted of the following at July 1, 2016, the date of the latest actuarial valuation

Retirees and beneficiaries receiving benefits	4
Active plan members	<u>332</u>
Total	<u>336</u>

**Funding Policy**

The District's funding policy is to contribute the Annual Determined Contribution (ADC) to their account within the PARS Post-Employment Benefits Trust, an irrevocable trust (Trust). The District pays for the cost of the above 4 retirees who receive medical, dental and vision premiums under early retirement incentives offered in 2013, 2014 and 2016. For fiscal year ended 2017, the District paid \$102,794 for retiree premium costs, including an implicit rate subsidy of \$27,808. No contributions were made to the Trust during 2016-17.

**Net OPEB Liability (Asset)**

	Balance June 30, 2017
Total OPEB liability	\$ 927,851
Plan fiduciary net position	<u>748,547</u>
District's net OPEB liability (asset)	<u>\$ 179,304</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	80.68%

**Investments**

*Investment policy*

The District's policy regarding the investment allocation of the District's plan assets is established and may be amended by District management. The primary objective is significant long-term growth of capital, subject to the risk and quality constraints set forth in the investment guidelines. The investment objective the District has selected is the US Bank Growth Multi Manger Strategy, which has a dual goal to provide growth with a low to moderate level of current income. The asset allocation ranges for this objective as of June 30, 2017 are listed as follows:

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS**

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-term Expected Real Rate of Return (*)</u>
Money Market	0%-20%	
Real Estate	0%-20%	
Commodities	0%-10%	
Fixed Income	10%-30%	
Equity	60%-80%	

\* Pooled investment - data is not readily available

*Investment Valuation*

Investments are measured at fair value on a recurring basis. Refer to Note 3.

*Rate of return*

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 14.84 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

**Actuarial Methods and Assumptions**

*Actuarial assumptions.* The total OPEB liability was determined by an actual valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Actuarial Methods and Assumptions</u>	
Valuation Date	July 1, 2016
Measurement Date	June 30, 2017
Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	6.00%
Health Care Trend Rate	8% - 5%

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2016 valuation were based on a review of plan



**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS**

experience during the period July 1, 2014 to June 30, 2016. The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or more than the target rate of return of 6.0 percent.

*Discount Rate.*

The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 919,412	\$ 654,524	\$ 264,888
Changes for the year:			
Service cost	59,107		59,107
Interest	52,126		52,126
Employer contributions		102,794	(102,794)
Net investment income		96,936	(96,936)
Benefit payments	(102,794)	(102,794)	-
Administrative expenses		(2,913)	2,913
Net changes	<u>8,439</u>	<u>94,023</u>	<u>(85,584)</u>
Balances at June 30, 2017	<u>\$ 927,851</u>	<u>\$ 748,547</u>	<u>\$ 179,304</u>

The following presents the District's net OPEB liability calculated using the discount rate of 6.0 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.0 percent) or 1 percentage-point higher (7.0 percent) than the current rate:

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS**

Discount rate	Net OPEB Liability (Asset)
1% decrease (5.0%)	\$ 263,306
Current discount rate (6.0%)	179,304
1% increase (7.0%)	102,131

The following presents the District's net OPEB liability calculated using the healthcare cost trend rate of 8.0 percent, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

Healthcare trend rate	Net OPEB Liability (Asset)
1% decrease (7%)	\$ 67,069
Current healthcare trend rate (8.0%)	179,304
1% increase (9.0%)	310,717

**OPEB Expense**

For the year ended June 30, 2017, the District recognized OPEB expense of \$102,794.

**NOTE 12: EMPLOYEE RETIREMENT PLANS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

As of June 30, 2017, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS - STRP	\$ 26,690,730	\$ 5,676,952	\$ 1,284,836	\$ 2,786,432
CalPERS - Schools Pool Plan	13,430,042	4,498,328	494,555	2,226,215
Total	\$ 40,120,772	\$ 10,175,280	\$ 1,779,391	\$ 5,012,647

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 12: EMPLOYEE RETIREMENT PLANS**

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the State Teachers' Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law.

**Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes to the STRP Defined Benefit Program, and the Defined Benefit Supplement Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 12: EMPLOYEE RETIREMENT PLANS**

Provisions and Benefits	CalSTRS-STRP Defined Benefit Program and Supplement Program	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	10.25%	9.21%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

**Contributions**

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2017 are presented above and the total District contributions were \$1,994,474.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

	Balance June 30, 2017
Proportionate Share of Net Pension Liability	
District proportionate share of net pension liability	\$ 26,690,730
State's proportionate share of the net pension liability associated with the District	15,196,794
Total	\$ 41,887,524

The net pension liability was measured as of June 30, 2016. 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 plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the District's proportion was 0.0330%.

For the year ended June 30, 2017, the District recognized pension expense of \$2,786,432 and

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 12: EMPLOYEE RETIREMENT PLANS**

revenue of \$1,468,930 for support provided by the state. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Pension Deferred Outflows and Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,994,474	\$
Difference in proportion	1,560,578	633,746
Difference between expected and actual experience		651,090
Net differences between projected and actual earnings on plan investments	2,121,900	
Total	\$ 5,676,952	\$ 1,284,836

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the Expected Average Remaining Service Life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2016 measurement date is 7 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 6 years.

The remaining amount will be recognized to pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amortization</u>
2017	\$ 628,452
2018	628,452
2019	628,452
2020	628,452
2021	97,975
2022	(214,141)
Total	\$ 2,397,642

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 12: EMPLOYEE RETIREMENT PLANS**

**Actuarial Methods and Assumptions**

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

<u>Actuarial Methods and Assumptions</u>	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.60%
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 mortality tables adjusted to fit CalSTRS experience.

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. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop an expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 12: EMPLOYEE RETIREMENT PLANS**

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute return/risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.60%)	\$ 38,413,980
Current discount rate (7.60%)	26,690,730
1% increase (8.60%)	16,954,080

**Plan Fiduciary Net Position**

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 12: EMPLOYEE RETIREMENT PLANS**

**California Public Employees Retirement System (CalPERS)**

**Plan Description**

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

Provisions and Benefits	CalPERS-Schools Pool Plan	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	6.974%	6.000%
Required employer contribution rate	13.888%	13.888%



**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 12: EMPLOYEE RETIREMENT PLANS**

**Contributions**

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. Total plan contributions are determined through the 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017 are as presented above and the total District contributions were \$1,111,068.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$13,430,042. The net pension liability was measured as of June 30, 2016. The total pension liability for CalPERS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015 and rolling forward the total pension liability to June 30, 2016. 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 plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District's proportion was 0.0680%.

For the year ended June 30, 2017, the District recognized pension expense of \$2,226,215. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,111,068	\$
Difference between expected and actual experience	577,621	
Changes of assumptions		403,493
Difference in proportion	725,728	91,062
Net differences between projected and actual earnings on plan investments	2,083,911	
Total	\$ 4,498,328	\$ 494,555

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 12: EMPLOYEE RETIREMENT PLANS**

in the year ended June 30, 2018. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Plan for the June 30, 2016 measurement date is 3.9 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 2.9 years.

The remaining amounts will be recognized in pension expense as follows:

Year Ending June 30,	Amortization
2017	\$ 809,233
2018	549,628
2019	989,962
2020	543,882
Total	<u>\$ 2,892,705</u>

**Actuarial Methods and Assumptions**

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

<u>Actuarial Methods and Assumptions</u>	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.65%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	3.00%

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 12: EMPLOYEE RETIREMENT PLANS**

Mortality assumptions are based on CalPERS specific membership data and mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

In determining the long-term expected rate of return, 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 the 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 one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and forestland	2%	-5.09%
Liquidity	1%	-1.05%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 12: EMPLOYEE RETIREMENT PLANS**

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 20,037,698
Current discount rate (7.65%)	13,430,042
1% increase (8.65%)	7,927,869

**Plan Fiduciary Net Position**

Detailed information about CalPERS School Employer plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**NOTE 13: PARS SUPPLEMENTARY RETIREMENT PLANS**

On February 22, 2016, the Board of Education adopted a resolution for the implementation of an early retirement incentive known as PARS Supplementary Retirement Plan for full-time certificated non-management employees. A total of 11 employees are participating. The District will pay benefits from 2016-2020 totaling \$787,812. Annual payments are \$157,256. The total remaining liability of \$315,125 has been reflected in these financial statements.

On October 25, 2016, the Board of Education adopted a resolution for the implementation of an early retirement incentive known as PARS Supplementary Retirement Plan for classified non-management employees. A total of 8 employees are participating. The District will pay benefits from 2017-2021 totaling \$318,955. Annual payments are \$63,791. The total remaining liability of \$191,373 has been reflected in these financial statements.

For both plans, the District has elected to make payments in advance of the due date. The next payment for both plans is due July 10, 2019.

**NOTE 14: PARCEL TAX**

**Measure R**

On March 12, 2013 the District voters approved the renewal of Measure R. This Measure is a qualified special parcel tax levied by the District each year for six years with exemption for parcels owned and occupied by persons age 65 or older and contiguous parcels. The special assessment is adjusted annually by the Los Angeles Metropolitan Statistical Area Consumer Price Index for a six year term. The revenues raised by the Measure are used to attract and retain high quality teachers and employees, and support educational programs that enhance student achievement. The tax was collectible beginning July 1, 2013. The current rate as of July 1, 2016 was \$344.73 per parcel.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 14: PARCEL TAX**

**Measure E**

On March 10, 2015, the District voters approved the renewal of Measure E. This Measure is a qualified special parcel tax levied by the District each year for six years with exemption for parcels owned and occupied by persons age 65 or older and contiguous parcels. The special assessment is adjusted annually by the lesser of the County of Los Angeles Statistical Area Consumer Price Index or three percent. The revenues raised by the Measure are used to support outstanding classroom teachers and solid academic curriculum, maintain advanced placement and honors classes, arts and athletic programs, technology, and preserve smaller class sizes throughout the District. The tax was collectible beginning July 1, 2015. The current rate as of July 1, 2016 was \$880.57 per parcel.

**NOTE 15: JOINT POWERS AGREEMENTS**

The San Marino Unified School District participates in agreements with three joint powers authorities (JPA) entities. The West San Gabriel Valley Schools' Liability and Property (WSGLP), the West San Gabriel Valley Schools' Workers' Compensation (WSGWC), and the California Schools Employee Benefits Association (CSEBA). The San Marino Unified School District pays an annual premium commensurate with the level of coverage requested.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the San Marino Unified School District beyond the District's representations on the government boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The relationship between the San Marino Unified School District and the JPAs are such that none of the JPAs are a component unit of the District for financial reporting purposes. The District's equity share and safety credit in the JPAs and the condensed most readily available financial information of the WSGLP, WSGWC, and CSEBA JPAs are shown below.

Condensed financial information for the year ended June 30, 2017 is as follows:

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 15: JOINT POWERS AGREEMENTS**

JPA Condensed Financial Information	WSGLP	WSGWC	CSEBA
	Audited	Audited	Audited
	June 30, 2017	June 30, 2017	June 30, 2016
Total assets	\$ 14,896,742	\$ 18,775,278	\$ 42,758,638
Total liabilities	<u>2,318,212</u>	<u>580,956</u>	<u>15,417,400</u>
Fund balance	<u>\$ 12,578,530</u>	<u>\$ 18,194,322</u>	<u>\$ 27,341,238</u>
Total revenues	\$ 3,945,661	\$ 7,293,254	\$ 215,303,513
Total expenditures	<u>4,785,656</u>	<u>6,396,781</u>	<u>211,380,925</u>
Net increase (decrease) in net positions	<u>\$ (839,995)</u>	<u>\$ 896,473</u>	<u>\$ 3,922,588</u>

**NOTE 16: COMMITMENTS AND CONTINGENCIES**

**Litigation**

The District is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

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

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, which 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.

**Purchase Commitments**

As of June 30, 2017, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$545,500. Projects will be funded through bond and certificates of participation proceeds, Capital Facilities Funds, Capital Project Funds, and local donations.

**NOTE 17: CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES**

The beginning net position of the basic financial statements has been restated by a reduction of \$749,065 in the government-wide state of activates to recognize the beginning balance of the OPEB liability resulting from the implementation of GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

# SAN MARINO UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

### **NOTE 18: SAN MARINO SCHOOL FOUNDATION CONDENSED DISCLOSURES**

#### **Organization and Summary of Significant Accounting Policies**

##### **Description of the Reporting Entity**

The San Marino Schools Foundation (the "Foundation") is a not-for-profit corporation that sponsors benefits and solicits funds from the public for the exclusive use of the San Marino Unified School District ("SMUSD"). The Foundation is governed by a Board of Trustees (the "Board"), which is responsible for all activities of the Foundation, including approval of disbursements to SMUSD.

##### **Cash and Equivalents**

Cash investments purchased with maturities of less than three months at the date they are acquired are considered cash equivalents.

The Foundation has cash in a financial institution which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Foundation also has some credit risk through short term cash investments which are placed with a high quality financial institution that is not insured by the FDIC but is a member of Securities Investor Protection Corporation (SIPC). At various times throughout the year, the Foundation may have cash balances in these financial institutions which exceed the FDIC and other insured limits. The Foundation has not experienced any losses on deposits of cash or cash equivalents.

##### **Beneficial Interest in Assets held by the California Community Foundation**

The Foundation's total endowment is \$3,323,809. This fund is held by the California Community Foundation (CCF) in their Permanent Pool. CCF will only distribute funds to the Foundation upon the request of the Foundation.

##### **Property and Equipment and Depreciation**

The Foundation's property and equipment, consisting principally of computers and furniture, are recorded at cost and depreciated using the straight-line method over the five-year estimated useful life of the assets.

##### **Revenue Recognition**

The Foundation includes contributions and pledge support within either temporarily or permanently restricted net assets if such items are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are

# SAN MARINO UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

### **NOTE 18: SAN MARINO SCHOOL FOUNDATION CONDENSED DISCLOSURES**

reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions are met in the same year as the contribution is made are initially classified as temporarily restricted net assets.

#### **Contributed Services and Facilities**

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and (c) would typically be purchased if not provided by donation. With the exception of certain accounting services, no amounts have been reflected in the accompanying financial statements for contributed services, as they do not meet the requirements set forth above, although a substantial number of volunteers have donated time to the Foundation.

The Foundation receives a contribution for the use of its office space from the San Marino Unified School District. This contribution is recognized as revenue and a corresponding expense in the amount of the estimated fair market value of the contribution. The current year amount is \$16,750.

#### **Income Taxes**

The Foundation is organized pursuant to the General Nonprofit Corporation Law of the State of California. The Foundation is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Foundation is also exempt from California franchise taxes and certain general county real and personal property taxes.

The Corporation's Form 990, Return of Organization Exempt from Income Tax, for the tax years beginning 2013, 2014, 2015 and, 2016 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. Similarly, the Corporation's Form 199, California Exempt Organization Annual Information Return, for the tax years beginning 2012, 2013, 2014, 2015, and 2016 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

#### **Retirement Plan**

The Foundation's employees participate in a defined contribution plan. The Foundation contributes 5% of each employee's salary to his or her respective plan. Pension cost for fiscal year 2016-17 was \$5,807.



**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 18: SAN MARINO SCHOOL FOUNDATION CONDENSED DISCLOSURES**

**Accounting for Endowment Funds**

Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 958-205-45 Donor Restricted Endowment Fund requires net asset classifications of funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and enhanced disclosures for all endowment funds.

The Foundation has interpreted the law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies permanently restricted endowment net assets at the original value of the gift donated to the permanent endowment.

The Foundation has adopted investment and distribution policies for endowment assets that attempt to provide acceptable long-term returns and protect the principal from inflation while assuming a moderate level of investment risk.

**Donations to SMUSD**

Traditionally, the Board commits to an annual pledge to SMUSD. The pledge was \$1,000,000 for the year ended June 30, 2017. The Foundation funds to SMUSD the greater of the annual pledge or the net proceeds from each year’s Annual Campaign (defined as total Annual Campaign receipts less total Foundation operating expenses incurred during the same corresponding fiscal year). Authorized distributions to SMUSD, including any net proceeds in excess of the annual pledge, are paid by the Foundation to SMUSD partly during the school year and the remainder following the close of each fiscal year. The Foundation authorized disbursements to SMUSD of \$2,000,000 during the year ended June 30, 2017, of which \$1,000,000 remained unpaid at June 30, 2017. During the year ended June 30, 2017 the Foundation disbursed an additional \$84,862 from temporarily restricted net assets which had been donated in a prior year.

**Unrestricted Net Assets**

Unrestricted net assets are comprised of the following at June 30:

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2017**

**NOTE 18: SAN MARINO SCHOOL FOUNDATION CONDENSED DISCLOSURES**

<u>Unrestricted Net Assets</u>	<u>2017</u>
General	\$ 225,277
Designated:	
Memorial	4,187
Board designated reserve	-
Board designated endowment	1,400,000
Other revenue and gifts	4,274
	<u>\$ 1,633,738</u>

**Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes or periods at June 30:

<u>Temporarily Restricted Net Assets</u>	<u>2017</u>
Other major and designated gifts	\$ 3,963,765
Fair value increase of endowment	781,559
	<u>4,745,324</u>

**Endowment**

The Foundation's endowment includes donor-restricted endowment funds and board-designated endowment funds. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), the Foundation classifies its net assets as follows. Permanently restricted net assets consist of (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the San Marino Schools Foundation Endowment Distribution Policy.

The Foundation has adopted investment and distribution policies for endowment assets that

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 18: SAN MARINO SCHOOL FOUNDATION CONDENSED DISCLOSURES**

attempt to provide acceptable long-term returns and protect the principal from inflation while assuming a moderate level of investment risk. To satisfy its long-term objectives, a substantial portion of the endowment assets are invested with the California Community Foundation's Permanent Pool.

The Foundation has a current policy of accumulating funds in the Endowment Fund until the principal amount of two million dollars (\$2,000,000) is reached, after which investment income may be distributed annually from the Endowment Fund to the SMUSD. No amounts have yet been appropriated for distribution from the endowment fund.

During the year ended June 30, 2017, the board added \$1,000,000 from unrestricted net assets to the endowment.

The changes in endowment net assets for the year ended June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 400,000	\$ 452,953	\$ 1,142,250	\$ 1,995,203
Investment income	-	30,620	-	30,620
Net appreciation (realized and unrealized)		297,986	-	297,986
Contributions	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Endowment net assets, end of year	<u>\$ 1,400,000</u>	<u>\$ 781,559</u>	<u>\$ 1,142,250</u>	<u>\$ 3,323,809</u>

**Fair Value Measurement**

The Foundation's beneficial interest in assets held by the California Community Foundation is reported at fair value on a recurring basis. The fair value of the assets is determined by reference to quoted market prices and other relevant information generated by market transactions (Level 1 inputs within the fair value hierarchy) as of June 30, 2017.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 19: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS  
ISSUED, NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2017, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

***Statement No. 81 – Irrevocable Split-Interest Agreements***

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The statement is effective for the fiscal year 2017-18.

***Statement No. 83 – Certain Asset Retirement Obligations***

This statement addresses accounting and financial reporting for certain asset retirement obligations when a legally enforceable liability is associated with the retirement of a tangible capital asset. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2018-19.

***Statement No. 84 – Fiduciary Activities***

This statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activities and (2) the beneficiary with whom a fiduciary relationship exists. The statement is effective for the fiscal year 2019-20.

***Statement No. 85 – Omnibus 2017***

The objective of the statement is to address practice issues that have been identified during implementation and application of certain GASB statements. Specific topics addressed in this statement are related to blended component units, goodwill, fair value measurement and application, and postemployment benefits (OPEB). The statement is effective for the fiscal year 2017-18.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2017**

**NOTE 19: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS  
ISSUED, NOT YET EFFECTIVE**

**Statement No. 86 – *Certain Debt Extinguishment Issues***

The objective of the 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 – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial report for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is in-substance defeased. The statement is effective for the fiscal year 2017-18.

**Statement No. 87 – *Leases***

The objective of the statement is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Inflows of resources or outflows of resources will be recognized based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement is effective for the fiscal year 2020-21.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND  
For the Fiscal Year Ended June 30, 2017**

	Budgetary Amounts - General Fund		Actual Amounts	(a) Fund Basis to GAAP	Actual Amounts
	Original	Final	General Fund		GAAP Basis
<b>Revenues</b>					
Local control funding formula sources:					
State apportionments	\$ 12,148,316	\$ 11,408,748	\$ 11,172,238	\$	\$ 11,172,238
Local sources	<u>12,207,044</u>	<u>12,968,014</u>	<u>13,246,500</u>		<u>13,246,500</u>
Total local control funding formula sources:	24,355,360	24,376,762	24,418,738		24,418,738
Federal sources	813,157	898,503	901,609		901,609
Other state sources	2,873,553	3,395,692	3,469,109		3,469,109
Other local sources	<u>10,920,261</u>	<u>12,590,879</u>	<u>12,598,883</u>	<u>46,005</u>	<u>12,644,888</u>
<b>Total Revenues</b>	<u>38,962,331</u>	<u>41,261,836</u>	<u>41,388,339</u>	<u>46,005</u>	<u>41,434,344</u>
<b>Expenditures</b>					
Certificated salaries	16,586,754	16,900,354	16,776,551		16,776,551
Classified salaries	8,585,657	8,231,436	8,078,156		8,078,156
Employee benefits	9,943,008	9,811,549	9,985,348		9,985,348
Books and supplies	1,245,333	2,875,476	2,187,189		2,187,189
Services and other operating expenditures	3,344,165	5,218,300	5,329,766		5,329,766
Capital outlay	625,000	800,659	668,421		668,421
Tuition and other outgo	<u>150,500</u>	<u>150,500</u>	<u>279,982</u>		<u>279,982</u>
<b>Total Expenditures</b>	<u>40,480,417</u>	<u>43,988,274</u>	<u>43,305,413</u>	<u>-</u>	<u>43,305,413</u>
Excess (deficiency) of revenues over expenditures	<u>(1,518,086)</u>	<u>(2,726,438)</u>	<u>(1,917,074)</u>	<u>46,005</u>	<u>(1,871,069)</u>
<b>Other Financing Sources (Uses)</b>					
Interfund transfers in	1,340,258	1,585,258	1,775,258	3,505	1,778,763
Interfund transfers out	<u>(15,500)</u>	<u>(19,005)</u>	<u>(19,005)</u>	<u>(1,775,258)</u>	<u>(1,794,263)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>1,324,758</u>	<u>1,566,253</u>	<u>1,756,253</u>	<u>(1,771,753)</u>	<u>(15,500)</u>
Net change in fund balances	<u>\$ (193,328)</u>	<u>\$ (1,160,185)</u>	(160,821)	(1,725,748)	(1,886,569)
<b>Fund Balance - Beginning of Year</b>			<u>2,913,239</u>	<u>6,506,902</u>	<u>9,420,141</u>
<b>Fund Balance - End of Year</b>			<u>\$ 2,752,418</u>	<u>\$ 4,781,154</u>	<u>\$ 7,533,572</u>

(a) amounts presented are the result of the District including activity of the Deferred Maintenance Fund and the Special Reserve Fund. (See note 1)

See the accompanying notes to the required supplementary information.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
For the Fiscal Year Ended June 30, 2017**

<b>Total OPEB Liability</b>	<u>2017</u>
Service Cost	\$ 59,107
Interest	52,126
Benefit Payments	<u>(102,794)</u>
<b>Net Change in Total OPEB Liability</b>	8,439
<b>Total OPEB Liability - beginning</b>	<u>919,412</u>
<b>Total OPEB Liability - ending (a)</b>	<u><u>\$ 927,851</u></u>
<b>Plan Fiduciary Net Position</b>	<u>2017</u>
Contributions - Employer	\$ 102,794
Net Investment Income	96,936
Benefit Payments	(102,794)
Administrative Expense	<u>(2,913)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	94,023
<b>Plan Fiduciary Net Position - beginning</b>	<u>654,524</u>
<b>Plan Fiduciary Net Position - ending (b)</b>	<u><u>\$ 748,547</u></u>
<b>Net OPEB Liability (Asset) - ending (a) - (b)</b>	<u><u>\$ 179,304</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	80.68%
Covered payroll	\$ 22,461,600
Net OPEB liability (asset) as a percentage of covered-employee payroll	0.80%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.



**SAN MARINO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFIT CONTRIBUTIONS  
For the Fiscal Year Ended June 30, 2017**

<u>OPEB Contributions</u>	<u>2017</u>
Actuarially Determined Contribution (ADC)	\$ 72,869
Contributions in relation to the ADC	<u>102,794</u>
Contribution deficiency (excess)	<u>\$ (29,925)</u>
District's covered payroll	\$ 22,461,600
Contributions as a percentage of covered-employee payroll	0.46%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFIT MONEY-  
WEIGHTED RATE OF RETURN ON PLAN ASSETS  
For the Fiscal Year Ended June 30, 2017**

June 30, 2017

Annual money-weighted rate of return,  
net of investment expense

14.84%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
For the Fiscal Year Ended June 30, 2017**

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017
District's proportion of the net pension liability (assets)	0.0310%	0.0340%	0.0330%
District's proportionate share of the net pension liability (asset)	\$ 18,115,470	\$ 22,890,160	\$ 26,690,730
State's proportionate share of the net pension liability (asset) associated with the District	<u>10,939,013</u>	<u>12,106,339</u>	<u>15,196,794</u>
Total	<u>\$ 29,054,483</u>	<u>\$ 34,996,499</u>	<u>\$ 41,887,524</u>
District's covered payroll	\$ 14,300,000	\$ 15,900,000	\$ 16,700,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	126.68%	143.96%	159.82%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%	70.04%
California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017
District's proportion of the net pension liability (assets)	0.0622%	0.0688%	0.0680%
District's proportionate share of the net pension liability (asset)	<u>\$ 7,061,214</u>	<u>\$ 10,141,188</u>	<u>\$ 13,430,042</u>
District's covered payroll	\$ 6,500,000	\$ 7,600,000	\$ 8,200,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	108.63%	133.44%	163.78%
Plan fiduciary net position as a percentage of the total pension liability	83.37%	79.43%	73.90%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS – STRS AND PERS  
For the Fiscal Year Ended June 30, 2017**

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017
Contractually required contribution	\$ 1,409,399	\$ 1,795,909	\$ 1,994,474
Contributions in relation to the contractually required contribution	<u>1,409,399</u>	<u>1,795,909</u>	<u>1,994,474</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 \$ 15,900,000	 \$ 16,700,000	 \$ 15,800,000
 Contributions as a percentage of covered payroll	 8.86%	 10.73%	 12.58%
 <u>California Public Employees' Retirement System - Schools Pool Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 896,431	\$ 971,975	\$ 1,111,068
Contributions in relation to the contractually required contribution	<u>896,431</u>	<u>971,975</u>	<u>1,111,068</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 \$ 7,600,000	 \$ 8,200,000	 \$ 8,000,000
 Contributions as a percentage of covered payroll	 11.80%	 11.85%	 13.89%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: PURPOSE OF SCHEDULES**

**Schedule of Budgetary Comparison For The General Fund**

A budgetary comparison is presented for the general fund. This schedule presents the budget as originally adopted, the revised budget as of the fiscal yearend, actual amounts at fiscal yearend, and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

**Schedule of Postemployment Healthcare Benefits Employer Contributions**

This schedule is intended to show trends about the changes in the District's actuarially determined liability for postemployment benefits other than pensions.

Benefit changes – None

Changes of Assumptions:

- The healthcare trend rate was revised from 6% to 8% to better reflect expectations of average healthcare claim cost increases over the next several years.
- The actuarial cost method was changed from Projected Unit Credit to Entry Age, Level Percent of Pay.

**Schedule of Postemployment Healthcare Benefits Employer Contributions**

The schedule is intended to show trends about the amounts contributed in relation to the actuarially determined contribution.

Actuarially determined contribution rates are calculated as of July 1, 2016, 12 months prior to the end of the fiscal year in which contributions are reported.

Methods of assumptions used to determine contribution rates are:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	6.00%
Health Care Trend Rate	8% - 5%

Mortality rates were based on the 2014 Employee Mortality Table for Males or Females and the 2014 Healthy Annuitant Mortality tables for Males or Females, as appropriate.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: PURPOSE OF SCHEDULES**

**Schedule of Postemployment Healthcare Benefits Money-Weighted Rate of Return on Plan Assets**

The schedule is intended to show trends about the rate of return on plan assets.

**Schedules of District's Proportionate Share of the Net Pension Liability – STRP and PERS**

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

**Schedules of District Contributions – STRP and PERS**

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

**NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Excesses of expenditures over appropriations, by major object accounts, occurred in the General Fund as follows:

Employee benefits	\$	173,799
Services and other operating expenditures		111,466
Tuition and other outgo		129,482

**SUPPLEMENTARY INFORMATION**

# SAN MARINO UNIFIED SCHOOL DISTRICT

## HISTORY AND ORGANIZATION For the Fiscal Year Ended June 30, 2017

The San Marino Unified School District was established in 1917. The District's boundaries include the City of San Marino and unincorporated areas of San Gabriel and Pasadena. The District operates two elementary schools, one middle school, and one comprehensive high school.

The District Board of Education and the District Administrators for the fiscal year ended June 30, 2017 were as follows:

### DISTRICT BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Mr. C. Joseph Chang	President	December 2018
Ms. Shelley Ryan	Vice President	December 2018
Ms. Lisa Link	Clerk	December 2020
Mr. Chris Norgaard	Member	December 2020
Ms. Nam Jack	Member	December 2018

### DISTRICT ADMINISTRATORS

Dr. Alex Cherniss	Superintendent
Ms. Julie Boucher	Assistant Superintendent, Business Services
Ms. Linda de la Torre	Assistant Superintendent, Human Resources
Dr. Gary McGuigan	Assistant Superintendent, Curriculum and Instructional Services
Mr. Stephen Choi	Chief Technology Officer



**SAN MARINO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
For the Fiscal Year Ended June 30, 2017**

The requirements governing the ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the California Department of Education.

ADA statistics reported to the state for the fiscal year ended June 30, 2017 are as follows:

	<u>Second Period</u>	<u>Annual</u>
Grades Transitional Kindergarten through third:		
Regular ADA	748	751
Extended year special education	2	2
Special education - nonpublic, nonsectarian schools	<u>2</u>	<u>2</u>
Total grades transitional kindergarten through third ADA	<u>752</u>	<u>755</u>
Grades four through six:		
Regular ADA	614	617
Extended year special education	2	2
Special education - nonpublic, nonsectarian schools	<u>1</u>	<u>2</u>
Total grades four through six ADA	<u>617</u>	<u>621</u>
Grades seven and eight:		
Regular ADA	536	539
Extended year special education	2	2
Special education - nonpublic, nonsectarian schools	<u>2</u>	<u>2</u>
Total grades seven and eight ADA	<u>540</u>	<u>543</u>
Grades nine through twelve:		
Regular ADA	1,087	1,085
Extended year special education	2	2
Special education - nonpublic, nonsectarian schools	<u>6</u>	<u>7</u>
Total grades nine through twelve ADA	<u>1,095</u>	<u>1,094</u>
Total ADA	<u><u>3,004</u></u>	<u><u>3,013</u></u>

See the accompanying notes to the supplementary information.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
For the Fiscal Year Ended June 30, 2017**

Grade Level	Minute Requirement	Actual Minutes	Number of Days	
			Traditional Calendar	Status
Kindergarten	36,000	52,170	182	In Compliance
Grade 1	50,400	51,945	182	In Compliance
Grade 2	50,400	52,165	182	In Compliance
Grade 3	50,400	52,165	182	In Compliance
Grade 4	54,000	55,525	182	In Compliance
Grade 5	54,000	55,525	182	In Compliance
Grade 6	54,000	62,260	182	In Compliance
Grade 7	54,000	62,260	182	In Compliance
Grade 8	54,000	62,260	182	In Compliance
Grade 9	64,800	65,902	182	In Compliance
Grade 10	64,800	65,902	182	In Compliance
Grade 11	64,800	65,902	182	In Compliance
Grade 12	64,800	65,902	182	In Compliance

See the accompanying notes to the supplementary information.

**SAN MARINO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2017**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
<b>United States Department of Agriculture</b>			
Pass-Through Program From California Department of Education:			
National School Lunch Program	10.555	13396	\$ 118,621
Total U.S. Department of Agriculture			<u>118,621</u>
<b>United States Department of Education</b>			
Pass-Through California Department of Education:			
Special Education Cluster:			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	502,702
IDEA Preschool Local Entitlement	84.027A	13682	21,872
IDEA Federal Preschool Grants, Part B	84.173	13430	6,110
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	68
IDEA Mental Health Allocation Plan	84.027A	14468	34,113
Subtotal Special Education Cluster			<u>564,865</u>
No Child Left Behind:			
Title I Part A, Basic Grants Low-Income and Neglected	84.010	14329	232,963
Title II, Part A, Improving Teacher Quality	84.367	14341	61,630
Title III, Limited English Proficient Student Program	84.365	10084	42,151
Subtotal No Child Left Behind			<u>336,744</u>
Total U.S. Department of Education			<u>901,609</u>
<b>Total Federal Expenditures</b>			<u>\$ 1,020,230</u>

The District is the recipient of a federal program that does not result in cash receipts or disbursements. The District was granted \$49,097 of commodities under the National School Lunch Program (CFDA 10.555).

**SAN MARINO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**For the Fiscal Year Ended,**

	<u>2018 (Budgeted)</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total revenues	\$ 40,781,593	\$ 43,163,597	\$ 43,153,399	\$ 38,763,754
Total expenditures	<u>40,562,855</u>	<u>43,324,418</u>	<u>43,957,853</u>	<u>43,028,120</u>
Change in fund balance	218,738	(160,821)	(804,454)	(4,264,366)
Ending fund balance	<u>\$ 2,971,156</u>	<u>\$ 2,752,418</u>	<u>\$ 2,913,239</u>	<u>\$ 3,717,693</u>
Available reserve	<u>\$ 1,216,886</u>	<u>\$ 1,569,582</u>	<u>\$ 1,332,690</u>	<u>\$ 1,705,158</u>
Available reserve %	3.0%	3.6%	3.0%	4.0%
ADA	<u>2,973</u>	<u>3,004</u>	<u>3,045</u>	<u>3,064</u>
Total long term debt	<u>\$ 80,895,868</u>	<u>\$ 84,690,868</u>	<u>\$ 73,791,891</u>	<u>\$ 67,526,720</u>

Amounts above are those reported as General Fund in the State accounting software and does not include Deferred Maintenance or Special Reserve Fund Other Than Capital Outlay reported in the General Fund.

Available reserves are those amounts reserved for economic uncertainty and any other remaining unassigned fund balance from the General Fund.

The 2017-18 District Budget is the original budget adopted on June 26, 2017.

For a District this size, the state recommends 3% of total General Fund expenditures, transfers out and other uses. For the year ended June 30, 2017, the District has met this requirement.

See the accompanying notes to the supplementary information.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
For the Fiscal Year Ended June 30, 2017**

The District is not the granting agency for any Charter Schools.

See the accompanying notes to the supplementary information.

**SAN MARINO UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT**  
**WITH THE AUDITED FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

There were no differences between the fund balances reported on the June 30, 2017 Annual Financial and Budget Report for the governmental funds and the audited financial statements.

See the accompanying notes to the supplementary information.

**SAN MARINO UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 1: PURPOSE OF SCHEDULES**

**Schedule of Average Daily Attendance (ADA)**

Average daily attendance is a measurement of the number of pupils attending classes of the District. 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. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**Schedule of Instructional Time**

The District has not met or exceeded its target funding and 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 instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

**Schedule of Expenditures of Federal Awards**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

**Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such 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 represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District did not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**SAN MARINO UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 1: PURPOSE OF SCHEDULES**

**Schedule of Financial Trends and Analysis**

The *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

**Schedule of Charter Schools**

The *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the annual Financial and Budget Report form to the audited financial statements.



**OPTIONAL SUPPLEMENTARY INFORMATION**

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2017**

	Food Services Fund	Capital Facilities Fund	Total Non-Major Governmental Funds
<b><u>Assets</u></b>			
Cash in county treasury	\$ 45,797	\$ 1,189,799	\$ 1,235,596
Cash in bank	80,700		80,700
Cash in revolving fund	612		612
Accounts receivable			
Federal and State governments	8,337		8,337
Miscellaneous	1,695	21,714	23,409
Inventories	11,412		11,412
<b>Total Assets</b>	<b>\$ 148,553</b>	<b>\$ 1,211,513</b>	<b>\$ 1,360,066</b>
 <b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 20,492	\$ 35,810	\$ 56,302
Unearned revenue	98,070		98,070
<b>Total Liabilities</b>	<b>118,562</b>	<b>35,810</b>	<b>154,372</b>
 <b>Fund Balances</b>			
Nonspendable	12,024		12,024
Restricted	6,078	1,175,703	1,181,781
Assigned	11,889		11,889
<b>Total Fund Balances</b>	<b>29,991</b>	<b>1,175,703</b>	<b>1,205,694</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 148,553</b>	<b>\$ 1,211,513</b>	<b>\$ 1,360,066</b>

See the accompanying notes to the optional supplementary information.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE**

**NON-MAJOR GOVERNMENTAL FUNDS**

**For the Fiscal Year Ended June 30, 2017**

	Food Services Fund	Capital Facilities Fund	Total Non-Major Governmental Funds
<b>Revenues</b>			
Federal sources	\$ 118,621	\$	\$ 118,621
Other state sources	2,115		2,115
Other local sources	823,453	137,869	961,322
<b>Total Revenues</b>	944,189	137,869	1,082,058
<b>Expenditures</b>			
Pupil services	937,692		937,692
Plant services		111,347	111,347
<b>Total Expenditures</b>	937,692	111,347	1,049,039
Excess (deficiency) of revenues over expenditures	6,497	26,522	33,019
Net changes in fund balance	6,497	26,522	33,019
<b>Fund Balances at Beginning of Year</b>	23,494	1,149,181	1,172,675
<b>Fund Balances at End of Year</b>	\$ 29,991	\$ 1,175,703	\$ 1,205,694

See the accompanying notes to the optional supplementary information.

**SAN MARINO UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2017**

	San Marino High School	Huntington Middle School	Associated Student Body Funds
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 353,924	\$ 62,756	\$ 416,680
<b>Total Assets</b>	\$ 353,924	\$ 62,756	\$ 416,680
<b><u>Liabilities</u></b>			
Accounts payable	\$ 20,604	\$ 1,435	\$ 22,039
Funds held in trust	333,320	61,321	394,641
<b>Total Liabilities</b>	\$ 353,924	\$ 62,756	\$ 416,680

See the accompanying notes to the optional supplementary information.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**NOTES TO THE OPTIONAL SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: PURPOSE OF SCHEDULES**

**Combining Fund Financial Statements**

The combining fund balance sheet, statement of revenues, expenditures and changes in fund balance, and statement of fiduciary net position have been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements.

**OTHER INDEPENDENT AUDITOR'S REPORT**

**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 Education  
San Marino Unified School District  
San Marino, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Marino Unified School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2017.

**Internal Control Over Financial Reporting**

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

**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***

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District’s financial statements are free of 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

**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.

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP  
Glendora, California  
December 11, 2017





**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
CLAconnect.com

Board of Education  
San Marino Unified School District  
San Marino, California

## **Report on Compliance for Each Major Federal Program**

We have audited San Marino Unified School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The 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 the 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 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 District's compliance.

## **Report on Internal Control Over Compliance**

Management of the 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 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

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE**

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 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, 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Purpose of this Report**

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.

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP  
Glendora, California  
December 11, 2017

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education  
San Marino Unified School District  
San Marino, California

We have audited the San Marino Unified School District's (the District) compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2017. The District's state compliance requirements are identified in the table provided.

### **Management's Responsibility**

Management is responsible for compliance with the state laws and regulations as identified below.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. 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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has 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 on state compliance. However, our audit does not provide a legal determination of the District's compliance.

## INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

### Compliance Requirements Tested

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No <sup>1</sup>
Continuation Education	Not applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Not Applicable
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Act	Yes
After School Education and Safety Program	Not Applicable
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	Not Applicable
Immunizations	Yes
Charter Schools:	
Attendance	No <sup>2</sup>
Mode of Instruction	No <sup>2</sup>
Nonclassroom Based Instruction/Independent Study	No <sup>2</sup>
Determination of Funding for Nonclassroom Based Instruction	No <sup>2</sup>
Annual Instructional Minutes – Classroom Based	No <sup>2</sup>
Charter School Facility Grant Program	No <sup>2</sup>

<sup>1</sup>We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

<sup>2</sup>The District is not the granting agency for any Charter Schools.

# INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

## **Opinion on State Compliance**

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2017.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, which is described in the accompanying schedule of findings and questioned costs as item 17-001. Our opinion on the state program is not modified with respect to this matter.

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

## **Purpose of this Report**

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP  
Glendora, California  
December 11, 2017

## **FINDINGS AND QUESTIONED COSTS**

SAN MARINO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SUMMARY OF AUDITOR RESULTS  
June 30, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes X No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes X None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes X No

**Federal Awards**

Internal control over major federal awards:

Material weakness(es) identified? \_\_\_\_\_ Yes X No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes X No

**Identification of Major Federal Programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Part A, Basic Grants Low-Income and Neglected

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

Auditee qualified as low-risk auditee? X Yes \_\_\_\_\_ No

SAN MARINO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SUMMARY OF AUDITOR RESULTS  
June 30, 2017

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to the basic financial statements or federal awards for the year ended June 30, 2017.



**SAN MARINO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2017**

**2017-001                      Unduplicated Local Control Funding Formula Pupil Counts                      40000**

**Criteria:** Education Code Section 42238.02(b)(2) requires a school district to submit its enrolled free and reduced-price meal eligibility, foster youth and English Learner (EL) pupil-level records for enrolled pupils using the California Longitudinal Pupil Achievement Data System (CalPADS). The CalPADS reports should accurately report the number of students as identified above.

**Condition:** Three students in our sample were classified in the CalPADS report as EL after they had been evaluated and/or met the criteria to be reclassified from the EL status.

**Effect:** The District is not in compliance with Education Code section 42238.02 (b) (2). The 1.17 and 1.18 reports contained errors as follows:

<u>School Name</u>	<u>Enrollment Count as Reported in the CalPADS System</u>	<u>Unduplicated FRPM Eligible</u>	<u>English Learner (EL)</u>	<u>Total Unduplicated Pupil Count</u>
<b>Carver Elementary School</b>				
As reported	617	14	115	127
Audit adjustments				
Adjusted	617	14	115	127
<b>Huntington Middle</b>				
As reported	759	30	61	84
Audit adjustments			(13)	(13)
Adjusted	759	30	48	71
<b>NPS School Group for San Marino</b>				
As reported	11	1	2	2
Audit adjustments				
Adjusted	11	1	2	2
<b>San Marino High</b>				
As reported	1,119	37	73	109
Audit adjustments				
Adjusted	1,119	37	73	109
<b>Valentine Elementary</b>				
As reported	567	6	118	122
Audit adjustments				
Adjusted	567	6	118	122
<b>Total</b>				
As reported	3,073	88	369	444
Audit adjustments			(13)	(13)
Adjusted	3,073	88	356	431

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2017**

**2017-001                    Unduplicated Local Control Funding Formula Pupil Counts                    40000**

**Cause:** One school site did not properly update the student records after the students were evaluated and determined to have met the criteria to be reclassified from the EL status.

**Questioned Costs:** Three of the thirteen students tested were found to have been classified erroneously (23% error rate). Extrapolating that 23% error rate across the total applicable population of 54 at that school site results in a total error of 13 students. Correcting these errors will result in a decrease to principal apportionment in the estimated amount of \$4,000.

**Recommendation:** We recommend the District adopt procedures in order to verify that all students who meet the criteria to be reclassified from the EL status are properly reported on the CalPADS report.

**Corrective Action Plan:** The District will strengthen its procedures and oversight to verify that all students who meet the criteria to be reclassified from EL status are properly updated on the District's CALPADS report. We believe that this was an isolated case at one specific school and that all other students at the other schools were classified and reclassified properly. The District provides EL Teachers and Instructional Assistants with guidance and the EL Coordinator verifies the information submitted for CALPADS reporting. The District plans to conduct an additional review of the classification of students for the 2016-17 fiscal year. This work will be completed by March 31, 2018.

**SAN MARINO UNIFIED SCHOOL DISTRICT**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**June 30, 2017**

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the year ended June 30, 2016.