

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

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2018**

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, which statements reflect total assets of \$9.37 million and total revenues of \$3.42 million for the year ended June 30, 2018. 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.

INDEPENDENT AUDITOR'S REPORT

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

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

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 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.

INDEPENDENT AUDITOR'S REPORT

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

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 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*, the combining non-major fund financial statements, and the other supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Average Daily Attendance (ADA), Schedule of Instructional Time, Schedule of Expenditures of Federal Awards, Reconciliation of the Annual Financial and Budget Report with the Audited Financial Statements, the Notes to the Supplementary Information and the combining non-major fund financial statements 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, this information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The History and Organization, the Schedule of Financial Trends and Analysis and the Schedule of Charter Schools have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 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 14, 2018

SAN MARINO UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

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, 2018. This information is to be read in conjunction with the District’s financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

The District’s 2017-18 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 3.5% off-schedule salary adjustment. The District offers Blue Shield PPO and HMO and, Kaiser HMO medical insurance as well as dental, vision, life insurance to all eligible employees (working 60% or more). 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, for the Blue Cross PPO plan the District provides \$6,000 for only coverage, \$9,000 for two-party coverage, and \$12,000 for family coverage. Any excess costs above these amounts are paid by the employees. For HMO plans, there is no employee only copay, and for two-party and family coverage employees pay 30% of the cost. Both the District and employees’ share of health benefit premium costs increased in 2017-18. 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 2017-18 totaled 3,012.99 ADA.

During the 2017-18 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 \$2.6 million.

The District received \$6.5 million, net of premiums and costs of delivery, from the issuance of Certificates of Participation (COP) for construction of the Barth Athletics Complex, issued in March 2017. 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-

SAN MARINO UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

18 through 2020-21) will be fully funded by local donations in accordance with an agreement between private donors and the District. The District could pay off the entire outstanding COP debt issuance principal if a local general obligation bond is 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, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The Statement of Net Position is summarized below:

	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>Variance</u>
Assets			
Cash	\$ 15,599,077	\$ 15,104,954	\$ (494,123)
Cash with fiscal agent	6,505,207	2,049,644	(4,455,563)
Accounts receivable	1,053,892	4,102,070	3,048,178
Inventories	14,170	19,268	5,098
Capital assets, net	56,936,628	58,377,417	1,440,789
Total Assets	<u>80,108,974</u>	<u>79,653,353</u>	<u>(455,621)</u>
Deferred Outflows of Resources			
Deferred outflows of resources - OPEB	-	172,286	172,286
Deferred outflows of resources - pensions	10,175,280	13,513,931	3,338,651
	<u>10,175,280</u>	<u>13,686,217</u>	<u>3,510,937</u>
Liabilities			
Accounts payable and other current liabilities	2,807,544	3,000,799	193,255
Unearned revenue	105,564	769,974	664,410
Long term liabilities	84,870,172	84,386,400	(483,772)
Total Liabilities	<u>87,783,280</u>	<u>88,157,173</u>	<u>373,893</u>
Deferred Inflows of Resources			
Deferred inflows of resources - OPEB	-	30,026	30,026
Deferred inflows of resources - pension costs	1,779,391	4,617,112	2,837,721
	<u>1,779,391</u>	<u>4,647,138</u>	<u>2,867,747</u>
Net Position			
Invested in capital assets, net of related debt	13,180,641	17,292,217	4,111,576
Restricted	13,546,484	12,318,155	(1,228,329)
Unrestricted	(26,005,542)	(29,075,113)	(3,069,571)
Total Net Position	<u>\$ 721,583</u>	<u>\$ 535,259</u>	<u>\$ (186,324)</u>

Net Position. The District's combined net position as of June 30, 2018 decreased by \$186,324. Significant changes included actuarially determined outflows and inflows associated with pension obligations. Refer to Note 12.

SAN MARINO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

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, 2017</u>	<u>June 30, 2018</u>	<u>Variance</u>
Revenues			
Program revenues:			
Charges for services	\$ 1,625,092	\$ 1,651,221	\$ 26,129
Operating grants and contributions	7,146,162	10,552,329	3,406,167
General revenues:			
Property taxes	23,464,326	24,536,375	1,072,049
Grants, subsidies and unrestricted contributions	12,406,271	11,562,240	(844,031)
Interest and investment earnings	126,186	155,717	29,531
Miscellaneous	2,570,972	2,903,204	332,232
Total revenues	<u>47,339,009</u>	<u>51,361,086</u>	<u>4,022,077</u>
Expenses			
Instruction	26,568,692	25,828,974	(739,718)
Instruction related services	3,938,415	3,651,844	(286,571)
Pupil services	4,640,905	4,755,332	114,427
Ancillary services	601,347	670,095	68,748
Community services	185,952	186,948	996
General administration	4,101,831	4,626,874	525,043
Plant services	4,570,703	4,752,347	181,644
Other outgo and debt service	2,232,267	2,754,413	522,146
Depreciation (unallocated)	4,248,452	4,320,583	72,131
Total expenses	<u>51,088,564</u>	<u>51,547,410</u>	<u>458,846</u>
Decrease in Net Position	<u>(3,749,555)</u>	<u>(186,324)</u>	<u>3,563,231</u>
Net Position, Beginning of Year, before restatement	5,220,203	721,583	(4,498,620)
Cumulative effect of change in accounting principles	(749,065)	-	-
Net Position, Beginning of Year, as restated	<u>4,471,138</u>	<u>721,583</u>	<u>(3,749,555)</u>
Net Position, End of Year	<u>\$ 721,583</u>	<u>\$ 535,259</u>	<u>\$ (186,324)</u>

SAN MARINO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net position, governmental activities. Revenues increased by \$4 million primarily due to an increase in donation in the Barth Athletics Complex as well as an increase in property tax revenue. Expenditures increased by \$459,000. The majority of the expenditure increase represents accounting entries for increased pension expenses. Within the District's General Fund, expenditures were comparable to the 2016-17 year with a net decrease of \$170,000. The decrease is the net effect of increases as a result of step and column adjustments, a 3.5% salary schedule adjustment for all employees, increases in employer CalSTRS and CalPERS contributions, and health benefit contributions offset by General Fund expenditure reductions made due to lower student enrollment and less one-time state funding.

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 the 2017-18 fiscal year, its General Fund ending balance, was \$2,507,781. This is exclusive of funds required to be reported with the General Fund as described in Note 1. The District has met the minimum fund balance requirement of 3%.

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

Food Services Fund 13.0

The Food Services Fund ended the 2017-18 fiscal year with a balance of \$85,528. \$11,464 represents inventory on hand at June 30, 2018. 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, 2018

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS (continued)

Deferred Maintenance 14.0

The Deferred Maintenance Fund ended the 2017-18 fiscal year with a balance of \$649,464. These funds are designated for maintenance of District buildings and facilities.

Health Benefits Reserve Fund 17.0

The Health Benefits Fund ended the 2017-18 year with a balance of \$9,709. Periodically, 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 2017-18 fiscal year with a balance of \$2,809,350. 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 2017-18 fiscal year with a balance of \$290,325. The funds are restricted for construction of the Barth Athletics Complex at Huntington Middle School.

Capital Improvement Fund 40.0

The fund ended the 2017-18 fiscal year with a balance of \$6,886,221. 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 2017-18 fiscal year with a balance of \$4,639,621. The fund represents the pass-through of revenue sources and expended outflows associated with the District’s issuance of general obligation bonds approved 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, 2018

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 2017-2018 fiscal year, the District had increased its capital assets by \$5.7 million due to deferred maintenance projects throughout the District as well as significant progress in the completion of the Barth Athletics Complex at Huntington Middle School. See Note 7 for additional information.

	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Land	\$ 380,500	\$ 380,500
Construction in Progress	1,891,487	6,640,715
Site Improvements	13,334,263	13,380,739
Buildings and Improvements	84,385,973	85,095,226
Furniture and Equipment	<u>5,615,176</u>	<u>5,865,762</u>
Total	105,607,399	111,362,942
Less Accumulated Depreciation	<u>(48,670,771)</u>	<u>(52,985,525)</u>
Capital Assets, Net	<u>\$ 56,936,628</u>	<u>\$ 58,377,417</u>

SAN MARINO UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end, the District had approximately \$84.3 million in long-term debt. General Obligation Bond debt decrease by approximately 7% from the prior year. This decrease is due to the repayment of the 1996, and 2000 General Obligation Bonds. See Note 9 for additional information.

Standard and Poor’s Rating Services (S&P) maintained the District’s bonded debt rating at AA+ and in July 2018 Moody’s affirmed the District’s bonded debt rating at Aa1 with a negative outlook.

Pension liabilities increased due to the actuarial valuations and measurement of pension liabilities as more fully described in Note 12.

	June 30, 2017	June 30, 2018
General Obligation Bonds	\$ 37,385,987	\$ 34,735,200
Certificates of Participation	6,370,000	6,350,000
PARS SERP	506,498	63,791
Compensated Absences	307,611	252,736
Net OPEB Liability	179,304	296,401
Net Pension Liability	40,120,772	42,688,272
Total Long-Term Debt	\$ 84,870,172	\$ 84,386,400

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 2017-18 fiscal year was \$352.31 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
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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. The Board of Education has called for an election for the renewal of Measure R for February 26, 2019.

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 2017-18 fiscal year was \$899.94 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 AB 1891 and Government Code 50079 (approved on September 22, 2016), senior exemptions will remain in effect for the length of “qualified special taxes,” which include parcel taxes.

In 2017-18, the District received \$5,646,240 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 46.4 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, 2018

FACTORS BEARING ON THE DISTRICT’S FUTURE

As of November 2018, 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. General information about the District and its financial reports can be accessed at its website at: www.smusd.us.

FINANCIAL SECTION

SAN MARINO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities	San Marino Schools Foundation (Component Unit)
<u>Assets</u>		
Cash and cash equivalents	\$ 15,104,954	\$ 5,777,909
Cash with fiscal agent	2,049,644	-
Accounts receivable	4,102,070	-
Prepaid expenses	-	4,031
Inventories	19,268	-
Beneficial interest in assets held by California Community Foundation	-	3,583,405
Land	380,500	-
Construction in progress	6,640,715	-
Depreciable assets, net	51,356,202	6,870
Total Assets	79,653,353	9,372,215
<u>Deferred Outflows of Resources</u>		
Deferred outflows - OPEB	172,286	-
Deferred outflows - pensions	13,513,931	-
Total Deferred Outflows of Resources	13,686,217	-
<u>Liabilities</u>		
Accounts payable and other current liabilities	2,627,963	7,500
Accrued interest	372,836	-
Unearned revenue	769,974	-
Current portion of long-term liabilities	4,115,000	-
Non-current portion of long term liabilities	80,271,400	-
Total Liabilities	88,157,173	7,500
<u>Deferred Inflows of Resources</u>		
Deferred inflows - OPEB	30,026	-
Deferred inflows - pensions	4,617,112	-
Total Deferred Inflows of Resources	4,647,138	-
<u>Net Position</u>		
Net investment in capital assets	17,292,217	-
Permanently restricted	-	1,142,250
Restricted for:		
Debt service	4,266,785	-
Capital projects	7,044,093	-
Educational programs	946,568	-
Other	60,709	5,639,474
Unrestricted	(29,075,113)	2,582,991
Total Net Position	\$ 535,259	\$ 9,364,715

See accompanying notes to the financial statements.

SAN MARINO UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018**

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)
Governmental Activities					
Instruction	\$ 25,828,974	\$ 670,677	\$ 5,032,091	\$ (20,126,206)	
Instruction - related services	3,651,844	37,582	310,107	(3,304,155)	
Pupil services	4,755,332	886,370	958,663	(2,910,299)	
Ancillary services	670,095	-	601,171	(68,924)	
Community services	186,948	-	12,261	(174,687)	
General administration	4,626,874	-	235,372	(4,391,502)	
Plant services	4,752,347	-	3,402,664	(1,349,683)	
Other outgo	471,365	56,592	-	(414,773)	
Debt service - interest	2,283,048	-	-	(2,283,048)	
Depreciation (unallocated)	4,320,583	-	-	(4,320,583)	
Total Governmental Activities	<u>\$ 51,547,410</u>	<u>\$ 1,651,221</u>	<u>\$ 10,552,329</u>	<u>(39,343,860)</u>	
Component Unit					
San Marino Schools Foundation	<u>\$ 1,581,282</u>	<u>\$ -</u>	<u>\$ 3,155,440</u>		<u>\$ 1,574,158</u>
General Revenues					
Property taxes levied for					
General purposes				14,104,452	-
Debt service				4,779,173	-
Other specific purposes				5,652,750	-
Federal and state aid not restricted to specific purposes				11,562,240	-
Interest and investment earnings				155,717	269,245
Miscellaneous				2,903,204	-
Total General Revenues				<u>39,157,536</u>	<u>269,245</u>
				Change in net position	(186,324) 1,843,403
Net Position - Beginning of Year				<u>721,583</u>	<u>7,521,312</u>
Net Position - End of Year				<u>\$ 535,259</u>	<u>\$ 9,364,715</u>

See accompanying notes to the financial statements.

SAN MARINO UNIFIED SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

	General Fund	Special Reserve Fund - Capital Outlay	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash in county treasury	\$ 7,954,552	\$ 1,931,059	\$ 4,639,621	\$ 398,410	\$ 14,923,642
Cash in bank	-	-	-	80,700	80,700
Cash in revolving fund	100,000	-	-	612	100,612
Cash with fiscal agent	-	2,049,644	-	-	2,049,644
Accounts receivable	886,110	3,181,026	-	34,934	4,102,070
Inventories	7,804	-	-	11,464	19,268
Total Assets	\$ 8,948,466	\$ 7,161,729	\$ 4,639,621	\$ 526,120	\$ 21,275,936
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 2,308,412	\$ 275,508	\$ -	\$ 44,043	\$ 2,627,963
Unearned revenue	663,750	-	-	106,224	769,974
Total Liabilities	2,972,162	275,508	-	150,267	3,397,937
Fund Balances					
Nonspendable	107,804	-	-	12,076	119,880
Restricted	946,568	6,753,768	4,639,621	351,034	12,690,991
Assigned	3,619,950	132,453	-	12,743	3,765,146
Unassigned	1,301,982	-	-	-	1,301,982
Total Fund Balances	5,976,304	6,886,221	4,639,621	375,853	17,877,999
Total Liabilities and Fund Balances	\$ 8,948,466	\$ 7,161,729	\$ 4,639,621	\$ 526,120	\$ 21,275,936

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, 2018

Total fund balances - governmental funds \$ 17,877,999

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		6,640,715	
Depreciable assets, net		<u>51,356,202</u>	58,377,417

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)		(34,735,200)	
Certificates of participation (see note 10)		(6,350,000)	
Supplemental early retirement plan (see note 13)		(63,791)	
Compensated absences (see note 1 and note 8)		(252,736)	
Net OPEB liability (see note 11)		(296,401)	
Net pension liability (see note 12)		<u>(42,688,272)</u>	(84,386,400)

In governmental funds, deferred outflows and inflows of resources are not reported because they are applicable to future periods (see notes 1,11 and 12.) Deferred outflows and inflows of resources at year-end consist of:

Deferred outflows - OPEB		172,286	
Deferred inflows - OPEB		(30,026)	
Deferred outflows - pensions		13,513,931	
Deferred inflows - pensions		<u>(4,617,112)</u>	9,039,079

Interest expense related to general obligation bonds was incurred but not accrued through June 30, 2018 (see note 9 & 10) (372,836)

Total net position - governmental activities \$ 535,259

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, 2018**

	General Fund	Special Reserve Fund - Capital Outlay	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local control funding formula sources:					
State apportionments	\$ 10,512,026	\$ -	\$ -	\$ -	\$ 10,512,026
Local sources	14,104,451	-	-	-	14,104,451
Total local control funding formula sources	24,616,477	-	-	-	24,616,477
Federal sources	870,394	-	-	138,495	1,008,889
Other state sources	2,891,066	-	15,486	3,982	2,910,534
Other local sources	13,555,434	3,233,294	4,798,927	960,428	22,548,083
Total Revenues	41,933,371	3,233,294	4,814,413	1,102,905	51,083,983
Expenditures					
Instruction	25,229,062	-	-	-	25,229,062
Instruction - related services	3,422,542	-	-	-	3,422,542
Pupil services	3,710,942	-	-	836,179	4,547,121
Ancillary services	681,740	-	-	-	681,740
Community services	176,305	-	-	-	176,305
General administration	4,012,756	-	-	-	4,012,756
Plant services	5,375,929	3,870,836	-	1,096,567	10,343,332
Other outgo	471,365	-	-	-	471,365
Debt service	394,498	-	4,586,419	-	4,980,917
Total Expenditures	43,475,139	3,870,836	4,586,419	1,932,746	53,865,140
Excess (deficiency) of revenues over expenditures	(1,541,768)	(637,542)	227,994	(829,841)	(2,781,157)
Other Financing Sources (Uses)					
Interfund transfers in	-	15,500	-	-	15,500
Interfund transfers out	(15,500)	-	-	-	(15,500)
Total Other Financing Sources (Uses)	(15,500)	15,500	-	-	-
Net changes in fund balance	(1,557,268)	(622,042)	227,994	(829,841)	(2,781,157)
Fund Balances at Beginning of Year	7,533,572	7,508,263	4,411,627	1,205,694	20,659,156
Fund Balances at End of Year	\$ 5,976,304	\$ 6,886,221	\$ 4,639,621	\$ 375,853	\$ 17,877,999

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, 2018**

Net change in fund balances - total governmental funds \$ (2,781,157)

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	\$ 5,761,372	
Depreciation expense	<u>(4,320,583)</u>	
Excess (deficiency) of capital outlay over depreciation expense		1,440,789

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	3,775,000	
Certificates of participation principal payments	20,000	
Supplemental early retirement plan, payments	<u>442,707</u>	4,237,707

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: (2,066,570)

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: 25,163

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	27,082	
Increase in accreted interest	(1,124,213)	
Decrease in compensated absences	<u>54,875</u>	<u>(1,042,256)</u>

Change in net position of governmental activities \$ (186,324)

See accompanying notes to the financial statements.

SAN MARINO UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	Associated Student Body Funds
<u>Assets</u>	
Cash and cash equivalents	\$ 364,081
Accounts receivable	1,050
Total Assets	365,131
 <u>Liabilities</u>	
Accounts payable	134
Funds held in trust:	
General associated student body	337,765
Clubs and trusts	27,232
Total Liabilities	\$ 365,131

See accompanying notes to the financial statements.

SAN MARINO UNIFIED SCHOOL DISTRICT

**STATEMENT OF OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB)
NET POSITION
June 30, 2018**

	<u>Retiree (OPEB) Trust</u>
<u>Assets</u>	
Investments	\$ 828,905
Total Assets	<u>828,905</u>
Net Position Held in Trust for Other Post-employment Benefits	<u>\$ 828,905</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, 2018**

	Retiree (OPEB) Trust
<u>Additions</u>	
Employer contributions	\$ 102,794
Investment earnings	<u>82,385</u>
Total Additions	<u>185,179</u>
<u>Deductions</u>	
Benefit payments	102,794
Operating expenses	<u>2,027</u>
Total Deductions	<u>104,821</u>
Change in net position	80,358
Net Position Held in Trust for Other Post-employment Benefits, Beginning of Year	<u>748,547</u>
Net Position Held in Trust for Other Post-employment Benefits, End of Year	<u>\$ 828,905</u>

See accompanying notes to the financial statements.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

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, 2018**

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, 2018**

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, 2018**

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 \$9,566 on June 30, 2018, 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, 2018**

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, 2018, the inventory for supplies is \$7,804. The inventory for food is \$11,464.

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 capital assets are recorded at acquisition value 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, 2018**

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 – OPEB: The deferred outflows of resources related to OPEB benefits results from the difference between expected and actual experience. The deferred outflows – OPEB will be deferred and amortized as detailed in Note 11 to the financial statements.

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, 2018**

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 Plan's 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 position by the District that is applicable to a future reporting period. These amounts are reported in the government-wide statement of net position.

Deferred Inflows – OPEB: The deferred inflows of resources related to OPEB benefits results from the difference between the estimated and actual return on OPEB plan investments, changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized as detailed in Note 11 to the financial statements.

Deferred Inflows – Pensions: The deferred inflows of resources related to pensions resulted from the effects of actuarially-determined changes to the pension plan. 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.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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:

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.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 1st. Taxes are payable in two installments on November 1st and February 1st. Unsecured property taxes are payable in one installment on or before August 31st.

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.

STRS 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.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 tremendous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines.

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.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 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.

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 2017-18, the Foundation contributed \$2,004,774 to the District to fund 22 teaching positions and \$3,175,855 for the construction of the Barth Athletics Complex. 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.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

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 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 held. 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, 2018, \$133,966 of the District's bank balance of \$579,901 was exposed to credit risk as follows:

<u>District's Bank Balance</u>	<u>June 30, 2018</u>
Uninsured and uncollateralized	\$ 133,966

Investments

Cash in County

In accordance with Education Code Section 41001, the District is required to maintain 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, 2018 is measured at 98.66% 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, 2018**

NOTE 3: DEPOSITS AND INVESTMENTS

The County Treasurer is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635 and 53648. The County Treasurer 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 Treasurer are either secured by federal depository insurance or are collateralized. The County Treasurer 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 Treasurer 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, 2018.

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, 2018 is presented below:

Investment	Net Asset Value (NAV)
Pooled Investment	\$ 828,905

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

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, 2018 consists of the following:

Accounts Receivable	General Fund	Special Reserve Fund - Capital Outlay	Other Governmental Funds	Total Governmental Funds	Total Fiduciary Funds
Federal and state	\$ 387,103	\$ -	\$ 22,806	\$ 409,909	\$ -
Miscellaneous	499,007	3,181,026	12,128	3,692,161	1,050
Total accounts receivable	<u>\$ 886,110</u>	<u>\$ 3,181,026</u>	<u>\$ 34,934</u>	<u>\$ 4,102,070</u>	<u>\$ 1,050</u>

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 5: INTERFUND TRANSACTIONS

Interfund activity has been eliminated in the Government-wide statements. The following 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 2017-18 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
Nonspendable:					
Cash in revolving fund	\$ 100,000	\$ -	\$ -	\$ 612	\$ 100,612
Inventories	7,804	-	-	11,464	19,268
Total nonspendable	107,804	-	-	12,076	119,880
Restricted:					
Legally restricted programs	946,568	-	-	60,709	1,007,277
Capital projects	-	6,753,768	-	290,325	7,044,093
Debt service	-	-	4,639,621	-	4,639,621
Total restricted	946,568	6,753,768	4,639,621	351,034	12,690,991
Assigned:					
Health and welfare increases	9,709	-	-	-	9,709
Cash Flow	2,809,350	-	-	-	2,809,350
Deferred maintenance projects	649,464	-	-	-	649,464
Food service operations	-	-	-	12,743	12,743
Capital projects	-	132,453	-	-	132,453
School site carryover	151,427	-	-	-	151,427
Total assigned	3,619,950	132,453	-	12,743	3,765,146
Unassigned:					
Economic uncertainties	1,301,982	-	-	-	1,301,982
Total unassigned	1,301,982	-	-	-	1,301,982
Total fund balance	\$ 5,976,304	\$ 6,886,221	\$ 4,639,621	\$ 375,853	\$ 17,877,999

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 7: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

Capital asset activity for the year ended June 30, 2018 is shown below.

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 380,500	\$ -	\$ -	\$ 380,500
Construction in progress	1,891,487	5,504,955	755,727	6,640,715
Total capital assets not being depreciated	<u>2,271,987</u>	<u>5,504,955</u>	<u>755,727</u>	<u>7,021,215</u>
Capital assets being depreciated:				
Site improvements	13,334,263	46,476	-	13,380,739
Buildings	84,385,973	709,253	-	85,095,226
Equipment	5,615,176	256,415	5,829	5,865,762
Total capital assets being depreciated	<u>103,335,412</u>	<u>1,012,144</u>	<u>5,829</u>	<u>104,341,727</u>
Less accumulated depreciation for:				
Site improvements	5,856,944	668,626	-	6,525,570
Buildings	39,185,657	3,095,035	-	42,280,692
Equipment	3,628,170	556,922	5,829	4,179,263
Total accumulated depreciation	<u>48,670,771</u>	<u>4,320,583</u>	<u>5,829</u>	<u>52,985,525</u>
Depreciable assets, net	<u>54,664,641</u>	<u>(3,308,439)</u>	<u>-</u>	<u>51,356,202</u>
Governmental activities capital assets, net	<u>\$ 56,936,628</u>	<u>\$ 2,196,516</u>	<u>\$ 755,727</u>	<u>\$ 58,377,417</u>

NOTE 8: LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2018 is shown below.

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amount Due in One Year
General obligation bonds					
Series 1998B	\$ 14,710,000	\$ -	\$ 1,565,000	\$ 13,145,000	\$ 1,700,000
Series 2000A	8,249,808	-	730,148	7,519,660	732,701
Accreted interest	12,246,179	1,124,213	1,089,852	12,280,540	1,212,299
Series 2001 refunding	2,180,000	-	390,000	1,790,000	415,000
Total general obligation bonds	<u>37,385,987</u>	<u>1,124,213</u>	<u>3,775,000</u>	<u>34,735,200</u>	<u>4,060,000</u>
Certificates of participation	6,370,000	-	20,000	6,350,000	55,000
PARS supplementary early retirement plan	506,498	-	442,707	63,791	-
Compensated absences	307,611	-	54,875	252,736	-
Net OPEB liability	179,304	117,097	-	296,401	-
Net pension liability	40,120,772	2,567,500	-	42,688,272	-
Total	<u>\$ 84,870,172</u>	<u>\$ 3,808,810</u>	<u>\$ 4,292,582</u>	<u>\$ 84,386,400</u>	<u>\$ 4,115,000</u>

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 8: LONG-TERM DEBT – SCHEDULE OF CHANGES

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 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 2017-18 is \$1,124,213 and the total accrued interest, net of payments is \$12,280,540. 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 current interest 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.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 9: GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt of the District at June 30, 2018 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2018
Measure A:					
1998 Series B	6/16/1998	Various	3.95%-5.25%	\$ 27,715,000	\$ 13,145,000
2000 Series A	8/31/2000	Various	4.5%-5.71%	17,999,808	7,519,660
2001 Refunding	4/12/2001	Various	3.00%-5.00%	6,535,000	1,790,000
				<u>\$ 52,249,808</u>	<u>\$ 22,454,660</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
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>\$ 13,145,000</u>	<u>\$ 2,185,120</u>	<u>\$ 15,330,120</u>

2000 Series A

Year Ending June 30,	Principal	Accreted Interest	Total
2019	\$ 732,701	\$ 1,212,299	\$ 1,945,000
2020	731,517	1,338,483	2,070,000
2021	729,772	1,465,228	2,195,000
2022	728,381	1,601,619	2,330,000
2023	784,523	1,880,477	2,665,000
2024-2026	3,812,766	10,917,234	14,730,000
Total	<u>\$ 7,519,660</u>	<u>\$ 18,415,340</u>	<u>\$ 25,935,000</u>

2001 Refunding

Year Ending June 30,	Principal	Interest	Total
2019	\$ 415,000	\$ 79,125	\$ 494,125
2020	435,000	57,875	492,875
2021	455,000	35,625	490,625
2022	485,000	12,125	497,125
Total	<u>\$ 1,790,000</u>	<u>\$ 184,750</u>	<u>\$ 1,974,750</u>

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 10: CERTIFICATES OF PARTICIPATION

On March 1, 2017, the District entered into a long-term lease agreement to finance the construction of the Barth Athletics Complex at Huntington Middle School. The agreement is between the District as the "lessee" and the Los Angeles County Schools Regionalized Business Services Corporation as the "lessor" or "corporation". The Corporation is a legally separate entity which was formed in September 1985 to provide services necessary and appropriate for the establishment, operation and maintenance of regionalized business services and programs for public schools, community colleges and the Los Angeles County Board of Education.

The Corporation's funds for acquiring these items were generated by the issuance of \$ 6,370,000 of Certificates of Participation (COPs). COPs are long-term debt instruments which are tax exempt and, therefore, issued at interest rates below current market levels for taxable investments.

Lease payments are required to be made by the District under the lease agreement on May 15 and November 15 of each year for use and possession of the site for the period commencing December 1, 2017 and terminating December 1, 2041. Lease payments for years 2018 through 2021 are being funded by a private donor. 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:

Year Ending June 30,	Principal	Interest	Total
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	180,000	288,500	468,500
2024-2028	1,025,000	1,296,875	2,321,875
2029-2033	1,310,000	1,006,750	2,316,750
2034-2038	1,680,000	634,250	2,314,250
2039-2042	1,665,000	171,875	1,836,875
Total	<u>\$ 6,350,000</u>	<u>\$ 4,615,600</u>	<u>\$ 10,965,600</u>

Lease payments for years 2018 through 2021 are being funded by a private donor.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

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.

Membership in the health benefit plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation.

Retirees and beneficiaries receiving benefits	2
Active plan members	<u>312</u>
Total	<u>314</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 2 retirees who receive medical, dental and vision premiums under early retirement incentives offered in 2013, 2014 and 2016. For fiscal year ended 2018, the District paid \$102,794 for retiree premium costs, including an implicit rate subsidy of \$61,874. No contributions were made to the Trust during 2017-18.

Net OPEB Liability

	Balance
	June 30, 2018
Total OPEB liability	\$ 1,125,306
Plan fiduciary net position	828,905
District's net OPEB liability	<u>\$ 296,401</u>

Plan fiduciary net position as a percentage of the total OPEB liability	73.66%
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**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

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, 2018 are listed as follows:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-term Expected Real Rate of Return (*)</u>
Fixed income & commodities	25%	
Equity & real estate	75%	

* 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, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 11.00 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 June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

Actuarial Methods and Assumptions

Valuation date	June 30, 2018
Measurement date	June 30, 2018
Inflation	2.75%
Salary increases	2.75%
Investment rate of return	4.50%
Health care trend rate	4.00%

The mortality assumptions are based on the 2009 CalSTRS Mortality table for certificated employees/retirees and the 2014 CalPERS Active Mortality for Miscellaneous Employees table for classified employees. The retirement assumptions are based on the 2009 CalSTRS Retirement Rates table for certificated employees and the 2009 CalPERS Retirement Rates for School Employees for classified employees.

Actuarial assumptions used in the June 30, 2018 valuation were based on a review of plan experience during the period July 1, 2017 to June 30, 2018. 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 4.5 percent.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.5 percent. The projection of cash flows used to determine the discount rate assumed that District contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. 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.

Since the most recent valuation, the discount rate used to measure the total OPEB liability and expected rate of return on assets was changed from 6.00 percent to 4.5 percent. The healthcare trend rate was changed from a range, 8.00 percent to 5.00 percent, to 4.00 percent.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	\$ 927,851	\$ 748,547	\$ 179,304
Changes for the year:			
Service cost	60,880		60,880
Interest cost	54,414		54,414
Employer contributions		102,794	(102,794)
Net investment income		82,385	(82,385)
Experience gains and losses	184,955		184,955
Benefit payments	(102,794)	(102,794)	-
Administrative expenses	-	(2,027)	2,027
Net changes	<u>197,455</u>	<u>80,358</u>	<u>117,097</u>
Balance at June 30, 2018	<u>\$ 1,125,306</u>	<u>\$ 828,905</u>	<u>\$ 296,401</u>

The following presents the District's net OPEB liability calculated using the discount rate of 4.5 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 (3.5 percent) or 1 percentage-point higher (5.5 percent) than the current rate:

Discount rate	Net OPEB Liability
1% decrease	\$ 376,956
Current discount rate	296,401
1% increase	221,234

The following presents the District's net OPEB liability calculated using the healthcare cost trend rate of 4.0 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 (3.0 percent) or 1-percentage-point higher (5.0 percent) than the current rate:

Healthcare trend rate	Net OPEB Liability
1% decrease	\$ 237,121
Current healthcare trend rate	296,401
1% increase	349,622

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

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 11: POST EMPLOYMENT HEALTHCARE BENEFITS

For the year ended June 30, 2018, the District recognized OPEB expense of \$102,794.

At June 30, 2018, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

<u>Deferred Outflows and Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 172,286	\$ -
Differences between projected and actual earning on plan investments	-	30,026
Total	<u>\$ 172,286</u>	<u>\$ 30,026</u>

The deferred outflows of resources results from a change of assumptions and is amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the OPEB plan for June 30, 2018 is 14.6 years. The year of amortization is recognized in OPEB expense for the year the gain or loss occurs. The remaining amount is deferred and will be amortized over the remaining periods not to exceed 13.6 years.

The deferred inflows of resources resulting from the net differences 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 OPEB expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period.

<u>Fiscal Year Ending June 30,</u>	<u>Amortization</u>
2019	\$ 5,162
2020	5,162
2021	5,162
2022	5,164
2023	12,669
Thereafter	<u>108,941</u>
Total	<u>\$ 142,260</u>

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, 2018, the District's net pension liabilities, deferred outflows of resources, deferred inflows of resources and pension expense for each of the retirement plans are as follows:

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 12: EMPLOYEE RETIREMENT PLANS

	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS - STRP	\$ 27,744,000	\$ 8,806,149	\$ 3,716,111	\$ 2,671,661
CalPERS - Schools Pool Plan	14,944,272	4,707,782	901,001	2,957,029
Total	\$ 42,688,272	\$ 13,513,931	\$ 4,617,112	\$ 5,628,690

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

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 STRP Defined Benefit Supplement Program, thus disclosures are not included for the other plans.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 12: EMPLOYEE RETIREMENT PLANS

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

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%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

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, 2018 are presented above and the total District contributions were \$2,315,187.

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

At June 30, 2018, 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, 2018
Proportionate Share of Net Pension Liability	
District proportionate share of net pension liability	\$ 27,744,000
State's proportionate share of the net pension liability associated with the District	16,413,250
Total	<u>\$ 44,157,250</u>

The net pension liability was measured as of June 30, 2017. 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, 2017, the District's proportion was 0.0300%.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 12: EMPLOYEE RETIREMENT PLANS

For the year ended June 30, 2018, the District recognized pension expense of \$2,671,661. In addition, the District recognized revenue and corresponding expense of \$1,652,151 for support provided by the state. At June 30, 2018, 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>	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,315,187	\$ -
Differences between expected and actual experience	102,600	483,900
Changes of assumptions	5,139,900	-
Changes in proportion	1,248,462	2,493,311
Net differences between projected and actual earnings on pension plan investments	-	738,900
Total	<u>\$ 8,806,149</u>	<u>\$ 3,716,111</u>

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, 2019. 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 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 periods on a net basis.

All other deferred outflows of resources and deferred inflows 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, 2017 measurement date is seven 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 six years.

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

<u>Year Ending June 30,</u>	<u>Amortization</u>
2019	\$ 30,406
2020	1,109,506
2021	711,706
2022	(11,796)
2023	388,813
2024	546,216
Total	<u>\$ 2,774,851</u>

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.10%
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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 and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2017, 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, 2018**

NOTE 12: EMPLOYEE RETIREMENT PLANS

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Fixed income	12%	0.30%
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 7.10%. 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 (7.10%) 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 (6.10%)	\$ 40,737,000
Current discount rate (7.10%)	27,744,000
1% increase (8.10%)	17,199,300

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2017, CalSTRS completed an experience study for the period starting July 1, 2010 and ending June 30, 2015. The experience study was adopted by the CalSTRS Board in February 2017. As a result of the study, certain assumptions used in determining the net pension liability of the STRP changed, including the discount rate, price inflation, wage growth, mortality assumptions and the mortality tables used in the actuarial valuation of the net pension liability. The changes to the assumptions as a result of the experience study follow:

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 12: EMPLOYEE RETIREMENT PLANS

Assumptions:	As of June 30, 2017	As of June 30, 2016
Investment Rate of Return	7.10%	7.60%
Consumer Price Inflation	2.75%	3.00%
Wage Growth	3.50%	3.75%

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.

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.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 12: EMPLOYEE RETIREMENT PLANS

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

Provisions and Benefits	Schools Pool Plan (CalPERS)	
	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	7.00%	6.00%
Required employer contribution rate	15.531%	15.531%

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, 2018 are as presented above and the total District contributions were \$1,240,254.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$14,944,272. The net pension liability was measured as of June 30, 2017. 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, 2017, the District's proportion was 0.0626%.

For the year ended June 30, 2018, the District recognized pension expense of \$2,957,029. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 12: EMPLOYEE RETIREMENT PLANS

<u>Pension Deferred Outflows and Inflows of Resources</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,240,254	\$ -
Difference between expected and actual experience	535,392	-
Changes of assumptions	2,182,846	175,950
Difference in proportion	232,320	725,051
Net differences between projected and actual earnings on plan investments	516,970	-
Total	<u>\$ 4,707,782</u>	<u>\$ 901,001</u>

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, 2019. 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 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 outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Schools Pool Plan for the June 30, 2017 measurement date is 4.0 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 3.0 years.

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

<u>Year Ending June 30,</u>	Amortization
2019	\$ 827,898
2020	1,215,065
2021	806,655
2022	(283,091)
Total	<u>\$ 2,566,527</u>

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the following methods and assumptions, applied to all prior periods included in the measurement:

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 12: EMPLOYEE RETIREMENT PLANS

Actuarial Methods and Assumptions

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvements using Scale BB published by the Society of Actuaries.

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 adjusted to account for assumed administrative expenses. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	47%	5.38%
Fixed income	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and forestland	3%	5.39%
Liquidity	2%	-0.90%

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 12: EMPLOYEE RETIREMENT PLANS

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. . 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 Schools Pool Plan 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 (6.15%)	\$ 21,987,813
Current discount rate (7.15%)	14,944,272
1% increase (8.15%)	9,101,065

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2017, the financial reporting discount rate for the Schools Pool Plan was lowered from 7.65% to 7.15%. Deferred outflows of resources for changes of assumptions represents the unamortized portion of this assumption change.

Plan Fiduciary Net Position

Detailed information about CalPERS Schools Pool 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 2017 through 2021 totaling \$787,812 with annual required payments of \$157,562. These costs have been fully paid as of June 30, 2018.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 13: PARS SUPPLEMENTARY RETIREMENT PLANS

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 2018 through 2022 totaling \$318,955. The District has prepaid these costs with a remaining balance at June 30, 2018 of \$63,791.

NOTE 14: PARCEL TAX

Measure R

Measure R 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, 2017 was \$352.31 per parcel. The District has called for an election for the renewal of Measure R on February 26, 2019.

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, 2017 was \$899.94 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.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 15: JOINT POWERS AGREEMENTS

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, 2018 is as follows:

JPA Condensed Financial Information	WSGLP	WSGWC	CSEBA
	Audited	Audited	Audited
	June 30, 2018	June 30, 2018	June 30, 2017
Total assets	\$ 13,775,187	\$ 20,800,982	\$ 49,977,341
Total liabilities	1,755,288	413,772	14,188,582
Net position	\$ 12,019,899	\$ 20,387,210	\$ 35,788,759
Total revenues	\$ 4,086,714	\$ 11,072,112	\$ 241,600,872
Total expenses	4,645,345	8,879,224	233,153,351
Net increase (decrease) in net positions	\$ (558,631)	\$ 2,192,888	\$ 8,447,521
District safety credits	\$ 44,225	\$ 165,645	N/A
District designated equity	\$ 27,228	\$ 44,170	N/A

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.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 16: COMMITMENTS AND CONTINGENCIES

Purchase Commitments

As of June 30, 2018, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$6.7 million. Projects will be funded through certificates of participation proceeds, Capital Facilities Funds, Capital Project Funds, and local donations.

NOTE 17: 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 (“District”). 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 the District.

Cash and Equivalents

Cash investments purchased with maturities of less than three months at the date they are acquired are considered cash equivalents. Cash and cash equivalents at June 30, 2018 consists of money market funds of \$6,415, interest maximizer account balance of \$777, and checking account balance of \$5,770,717. The Foundation believes that the cash and cash equivalents of \$5,777,909 are sufficient to fund its general expenditures for the next fiscal year.

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 \$3,583,405. 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.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 17: SAN MARINO SCHOOL FOUNDATION CONDENSED DISCLOSURES

Property and Equipment and Depreciation

Acquisitions of property and equipment of \$5,000 or more are capitalized. 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 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 \$15,000.

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 Foundation has been classified as an organization that is not a private foundation under IRC Section 509(a) and, as such, contributions to the Foundation qualify for deduction as charitable contributions.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 17: SAN MARINO SCHOOL FOUNDATION CONDENSED DISCLOSURES

The Corporation's Form 990, *Return of Organization Exempt from Income Tax*, for the tax years beginning 2014, 2015, 2016, and 2017 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 2014, 2015, 2016, and 2017 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 uses Charles Schwab SEP IRA for its retirement plan. The Foundation contributes 5% of each employee's salary to his or her respective plan. Pension cost for fiscal year 2017-18 was \$4,315.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 17: SAN MARINO SCHOOL FOUNDATION CONDENSED DISCLOSURES

Donations to SMUSD

Traditionally, the Board commits to an annual pledge to the District. The pledge was \$1,000,000 for the year ended June 30, 2018. In the past the Foundation would fund to the District 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). Currently the Foundation disburses funds to the District through a grant-making process. The Annual Campaign pledge supports teaching positions. Excess amounts over the Annual Campaign pledge can be considered for other district programs. Authorized distributions to the District, including any net proceeds in excess of the annual pledge, are paid by the Foundation to the District after the District submits a grant application, the Foundation's grant committee reviews and recommends a position, and the Foundation's Board of Trustees adopts the committee's recommendations. The Foundation authorized disbursements to the District of \$1,000,000 during the year ended June 30, 2018, of which \$0 remained unpaid at June 30, 2018. During the year ended June 30, 2018 the Foundation disbursed an additional \$146,639 from unrestricted assets.

Unrestricted Net Assets

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

<u>Unrestricted Net Assets</u>	<u>2018</u>
General	\$ 1,174,530
Designated:	
Memorial	4,187
Board designated reserve	-
Board designated endowment	1,400,000
Other revenue and gifts	4,274
Total	<u>\$ 2,582,991</u>

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 17: SAN MARINO SCHOOL FOUNDATION CONDENSED DISCLOSURES

Temporarily Restricted Net Assets

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

Temporarily Restricted Net Assets	2018
Other major and designated gifts	\$ 4,598,319
Fair value increase of endowment	1,041,155
Total	\$ 5,639,474

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 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 District. No amounts have yet been appropriated for distribution from the endowment fund.

**SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 17: SAN MARINO SCHOOL FOUNDATION CONDENSED DISCLOSURES

The composition of endowment net assets for the year ended June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 1,400,000	\$ 1,041,155	\$ 1,142,250	\$ 3,583,405
Total funds	<u>\$ 1,400,000</u>	<u>\$ 1,041,155</u>	<u>\$ 1,142,250</u>	<u>\$ 3,583,405</u>

The changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,400,000	\$ 781,559	\$ 1,142,250	\$ 3,323,809
Investment income	-	71,803	-	71,803
Net appreciation (realized and unrealized)	-	187,793	-	187,793
Endowment net assets, end of year	<u>\$ 1,400,000</u>	<u>\$ 1,041,155</u>	<u>\$ 1,142,250</u>	<u>\$ 3,583,405</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, 2018.

NOTE 18: SUBSEQUENT EVENTS

Tax Revenue Anticipation Notes

The District issued \$3,695,000 of Tax Revenue Anticipation Notes dated July 10, 2018 through the California Education Notes Program's Fiscal Year 2018-19 Note Participations (Series A). The notes were sold by the District to supplement its cash flow.

The notes mature on June 28, 2019 and are issued at an interest rate of 4.00%. Repayment requirements are that 50% of the principal balance and the remaining principal balance and interest be deposited with the administrator, U.S. Bank National Association, in February 2019 and May 2019, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

SAN MARINO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2018**

	Budgetary Amounts - General Fund		Actual Amounts General Fund	(a) Fund Basis to GAAP	Actual Amounts GAAP Basis
	Original	Final	General Fund		
Revenues					
Local control funding formula sources:					
State apportionments	\$ 11,617,578	\$ 10,251,454	\$ 10,512,026	\$ -	\$ 10,512,026
Local sources	<u>12,968,014</u>	<u>14,333,384</u>	<u>14,104,451</u>	-	<u>14,104,451</u>
Total local control funding formula sources:	24,585,592	24,584,838	24,616,477	-	24,616,477
Federal sources	905,265	863,903	870,394	-	870,394
Other state sources	2,294,004	4,252,164	2,891,066	-	2,891,066
Other local sources	<u>11,223,732</u>	<u>13,215,767</u>	<u>13,511,430</u>	<u>44,004</u>	<u>13,555,434</u>
Total Revenues	<u>39,008,593</u>	<u>42,916,672</u>	<u>41,889,367</u>	<u>44,004</u>	<u>41,933,371</u>
Expenditures					
Certificated salaries	16,958,786	17,025,091	17,025,089	-	17,025,089
Classified salaries	8,234,548	8,109,824	7,929,738	-	7,929,738
Employee benefits	9,501,523	9,810,393	9,338,166	-	9,338,166
Books and supplies	1,231,126	2,211,508	1,338,385	-	1,338,385
Services and other operating expenditures	3,443,375	6,217,238	6,217,236	50,815	6,268,051
Capital outlay	625,000	920,994	597,996	111,850	709,846
Tuition and other outgo	<u>552,995</u>	<u>865,864</u>	<u>865,864</u>	-	<u>865,864</u>
Total Expenditures	<u>40,547,353</u>	<u>45,160,912</u>	<u>43,312,474</u>	<u>162,665</u>	<u>43,475,139</u>
Excess (deficiency) of revenues over expenditures	<u>(1,538,760)</u>	<u>(2,244,240)</u>	<u>(1,423,107)</u>	<u>(118,661)</u>	<u>(1,541,768)</u>
Other Financing Sources (Uses)					
Interfund transfers in	1,773,000	1,200,000	1,200,000	6,030	1,206,030
Interfund transfers out	<u>(15,500)</u>	<u>(21,530)</u>	<u>(21,530)</u>	<u>(1,200,000)</u>	<u>(1,221,530)</u>
Total Other Financing Sources (Uses)	<u>1,757,500</u>	<u>1,178,470</u>	<u>1,178,470</u>	<u>(1,193,970)</u>	<u>(15,500)</u>
Net change in fund balances	<u>\$ 218,740</u>	<u>\$ (1,065,770)</u>	(244,637)	(1,312,631)	(1,557,268)
Fund Balance - Beginning of Year			<u>2,752,418</u>	<u>4,781,154</u>	<u>7,533,572</u>
Fund Balance - End of Year			<u>\$ 2,507,781</u>	<u>\$ 3,468,523</u>	<u>\$ 5,976,304</u>

(a) amounts presented are the result of the District including activity of the Deferred Maintenance Fund and the Special Reserve Funds. (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, 2018**

Total OPEB Liability	2017	2018
Service Cost	\$ 59,107	\$ 60,880
Interest	52,126	54,414
Assumption Changes	-	184,955
Benefit Payments	(102,794)	(102,794)
Net Change in Total OPEB Liability	8,439	197,455
Total OPEB Liability - beginning	919,412	927,851
Total OPEB Liability - ending (a)	\$ 927,851	\$ 1,125,306
Plan Fiduciary Net Position	2017	2018
Contributions - Employer	\$ 102,794	\$ 102,794
Net Investment Income	96,936	82,385
Benefit Payments	(102,794)	(102,794)
Administrative Expense	(2,913)	(2,027)
Net Change in Plan Fiduciary Net Position	94,023	80,358
Plan Fiduciary Net Position - beginning	654,524	748,547
Plan Fiduciary Net Position - ending (b)	\$ 748,547	\$ 828,905
Net OPEB Liability- ending (a) - (b)	\$ 179,304	\$ 296,401
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	80.68%	73.66%
Covered payroll	\$ 22,461,600	\$ 22,973,541
Net OPEB liability as a percentage of covered-employee payroll	0.80%	1.29%

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, 2018**

<u>OPEB Contributions</u>	<u>2017</u>	<u>2018 *</u>
Actuarially Determined Contribution (ADC)	\$ 72,869	
Contributions in relation to the ADC	102,794	
Contribution deficiency (excess)	<u>\$ (29,925)</u>	
District's covered payroll	\$ 22,461,600	
Contributions as a percentage of covered-employee payroll	0.46%	

* An Actuarially Determined Contribution rate has not been calculated for the 2018 year.

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 POSTEMPLOYMENT HEALTHCARE BENEFIT MONEY-
WEIGHTED RATE OF RETURN ON PLAN ASSETS
For the Fiscal Year Ended June 30, 2018**

	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Annual money-weighted rate of return, net of investment expense	14.84%	11.00%

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 – STRS AND PERS
For the Fiscal Year Ended June 30, 2018**

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018
District's proportion of the net pension liability (assets)	0.0310%	0.0340%	0.0330%	0.0300%
District's proportionate share of the net pension liability (asset)	\$ 18,115,470	\$ 22,890,160	\$ 26,690,730	\$ 27,744,000
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>15,196,754</u>	<u>16,413,250</u>
Total	<u>\$ 29,054,483</u>	<u>\$ 34,996,499</u>	<u>\$ 41,887,484</u>	<u>\$ 44,157,250</u>
District's covered payroll	\$ 14,300,000	\$ 15,900,000	\$ 16,700,000	\$ 15,800,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	126.68%	143.96%	159.82%	175.59%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%	70.04%	69.00%
California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018
District's proportion of the net pension liability (assets)	0.0622%	0.0688%	0.0680%	0.0626%
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>	<u>\$ 14,944,272</u>
District's covered payroll	\$ 6,500,000	\$ 7,600,000	\$ 8,200,000	\$ 8,000,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	108.63%	133.44%	163.78%	186.80%
Plan fiduciary net position as a percentage of the total pension liability	83.37%	79.43%	73.90%	72.00%

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, 2018**

California State Teachers' Retirement System - State Teachers' Retirement Plan	2016	2017	2018	2019
Contractually required contribution	\$ 1,409,399	\$ 1,795,909	\$ 1,994,474	\$ 2,315,187
Contributions in relation to the contractually required contribution	<u>1,409,399</u>	<u>1,795,909</u>	<u>1,994,474</u>	<u>2,315,187</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 \$ 15,900,000	 \$ 16,700,000	 \$ 15,800,000	 \$ 16,000,000
Contributions as a percentage of covered payroll	8.86%	10.73%	12.58%	14.43%
California Public Employees' Retirement System - Schools Pool Plan	2016	2017	2018	2019
Contractually required contribution	\$ 896,431	\$ 971,975	\$ 1,111,068	\$ 1,240,254
Contributions in relation to the contractually required contribution	<u>896,431</u>	<u>971,975</u>	<u>1,111,068</u>	<u>1,240,254</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 \$ 7,600,000	 \$ 8,200,000	 \$ 8,000,000	 \$ 8,000,000
Contributions as a percentage of covered payroll	11.80%	11.85%	13.89%	15.53%

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, 2018**

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 Changes in the Net OPEB Liability and Related Ratios

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 – See page 33.

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 were 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 were:

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, 2018**

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

There were no excesses of expenditures over appropriations, by major object accounts, in the General Fund.

SUPPLEMENTARY INFORMATION

SAN MARINO UNIFIED SCHOOL DISTRICT

**HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2018**

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, 2018 were as follows:

DISTRICT BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Ms. Shelley Ryan	President	December 2018
Mr. C. Joseph Chang	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. Stephen Choi	Chief Technology Officer

SAN MARINO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2018**

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, 2018 are as follows:

	<u>Second Period</u>	<u>Annual</u>
Grades Transitional Kindergarten through third:		
Regular ADA	731	731
Extended year special education	1	1
Special education - nonpublic, nonsectarian schools	<u>2</u>	<u>3</u>
Total grades transitional kindergarten through third ADA	<u>734</u>	<u>735</u>
Grades four through six:		
Regular ADA	644	644
Extended year special education	1	1
Special education - nonpublic, nonsectarian schools	<u>1</u>	<u>1</u>
Total grades four through six ADA	<u>646</u>	<u>646</u>
Grades seven and eight:		
Regular ADA	505	507
Extended year special education	1	1
Special education - nonpublic, nonsectarian schools	<u>2</u>	<u>2</u>
Total grades seven and eight ADA	<u>508</u>	<u>510</u>
Grades nine through twelve:		
Regular ADA	1,089	1,086
Extended year special education	2	2
Special education - nonpublic, nonsectarian schools	6	7
Extended year special education - nonpublic, nonsectarian schools	<u>1</u>	<u>1</u>
Total grades nine through twelve ADA	<u>1,098</u>	<u>1,096</u>
Total ADA	<u>2,986</u>	<u>2,987</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, 2018**

Grade Level	Minute Requirement	Actual Minutes	Number of Days	
			Traditional Calendar	Status
Kindergarten	36,000	52,140	180	In Compliance
Grade 1	50,400	52,140	180	In Compliance
Grade 2	50,400	52,140	180	In Compliance
Grade 3	50,400	52,140	180	In Compliance
Grade 4	54,000	55,690	180	In Compliance
Grade 5	54,000	55,690	180	In Compliance
Grade 6	54,000	55,690	180	In Compliance
Grade 7	54,000	55,690	180	In Compliance
Grade 8	54,000	55,690	180	In Compliance
Grade 9	64,800	65,660	180	In Compliance
Grade 10	64,800	65,660	180	In Compliance
Grade 11	64,800	65,660	180	In Compliance
Grade 12	64,800	65,660	180	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, 2018**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Agriculture			
Pass-Through Program From California Department of Education:			
National School Lunch Program Cluster	10.555	13396	\$ 138,495
Total U.S. Department of Agriculture			<u>138,495</u>
United States Department of Education			
Pass-Through California Department of Education:			
Special Education Cluster:			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	500,093
IDEA Preschool Local Entitlement	84.027A	13682	24,038
IDEA Mental Health Allocation Plan	84.027A	14468	33,803
Subtotal 84.027			<u>557,934</u>
IDEA Federal Preschool Grants, Part B	84.173	13430	6,844
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	76
Subtotal 84.173			<u>6,920</u>
Subtotal Special Education Cluster			<u>564,854</u>
No Child Left Behind:			
Title I Part A, Basic Grants Low-Income and Neglected	84.010	14329	217,686
Title II, Part A, Improving Teacher Quality	84.367	14341	49,607
Title III, Limited English Proficient Student Program	84.365	10084	38,247
Subtotal No Child Left Behind			<u>305,540</u>
Total U.S. Department of Education			<u>870,394</u>
Total Federal Expenditures			<u>\$ 1,008,889</u>

The District is the recipient of a federal program that does not result in cash receipts or disbursements. The District was granted \$44,129 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 June 30, 2018

	2019 (Budgeted)	2018	2017	2016
Total revenues	\$ 42,649,108	\$ 43,089,367	\$ 43,163,597	\$ 43,153,399
Total expenditures	<u>41,414,200</u>	<u>43,334,004</u>	<u>43,324,418</u>	<u>43,957,853</u>
Change in fund balance	1,234,908	(244,637)	(160,821)	(804,454)
Ending fund balance	<u>\$ 3,742,689</u>	<u>\$ 2,507,781</u>	<u>\$ 2,752,418</u>	<u>\$ 2,913,239</u>
Available reserve	<u>\$ 1,242,426</u>	<u>\$ 1,301,982</u>	<u>\$ 1,569,582</u>	<u>\$ 1,332,690</u>
Available reserve %	3.0%	3.0%	3.6%	3.0%
ADA	<u>2,987</u>	<u>2,986</u>	<u>3,004</u>	<u>3,045</u>
Total long term debt	<u>\$ 80,271,400</u>	<u>\$ 84,386,400</u>	<u>\$ 84,870,172</u>	<u>\$ 73,791,891</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. For a District this size, the state recommends 3% of total General Fund expenditures, transfers out and other uses. For all years presented, the District has met, or is projected to meet, this requirement.

The 2018-19 District Budget is the original budget adopted on June 26, 2018.

See the accompanying notes to the supplementary information.

SAN MARINO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2018**

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, 2018

There were no differences between the fund balances reported on the June 30, 2018 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, 2018

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, 2018. 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, 2018

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Financial Trends and Analysis

The *2017-18 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 *2017-18 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, 2018**

	Food Services Fund	Capital Facilities Fund	Total Non-Major Governmental Funds
<u>Assets</u>			
Cash in county treasury	\$ 106,333	\$ 292,077	\$ 398,410
Cash in bank	80,700	-	80,700
Cash in revolving fund	612	-	612
Accounts receivable			
Federal and state governments	22,806	-	22,806
Miscellaneous	5,794	6,334	12,128
Inventories	11,464	-	11,464
Total Assets	\$ 227,709	\$ 298,411	\$ 526,120
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 35,957	\$ 8,086	\$ 44,043
Unearned revenue	106,224	-	106,224
Total Liabilities	142,181	8,086	150,267
 Fund Balances			
Nonspendable	12,076	-	12,076
Restricted	60,709	290,325	351,034
Assigned	12,743	-	12,743
Total Fund Balances	85,528	290,325	375,853
Total Liabilities and Fund Balances	\$ 227,709	\$ 298,411	\$ 526,120

See the accompanying notes to the optional supplemental 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, 2018**

	Food Services Fund	Capital Facilities Fund	Total Non-Major Governmental Funds
Revenues			
Federal sources	\$ 138,495	\$ -	\$ 138,495
Other state sources	3,982	-	3,982
Other local sources	749,239	211,189	960,428
Total Revenues	891,716	211,189	1,102,905
Expenditures			
Pupil services	836,179	-	836,179
Plant services	-	1,096,567	1,096,567
Total Expenditures	836,179	1,096,567	1,932,746
Net changes in fund balance	55,537	(885,378)	(829,841)
Fund Balances at Beginning of Year	29,991	1,175,703	1,205,694
Fund Balances at End of Year	\$ 85,528	\$ 290,325	\$ 375,853

See the accompanying notes to the optional supplemental information.

SAN MARINO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2018

	San Marino High School	Huntington Middle School	Associated Student Body Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 307,829	\$ 56,252	\$ 364,081
Accounts Receivable	1,050	-	1,050
Total Assets	<u>308,879</u>	<u>56,252</u>	<u>365,131</u>
<u>Liabilities</u>			
Accounts payable	134	-	134
Funds held in trust			
General associated student body	286,682	51,083	337,765
Clubs and trusts	22,063	5,169	27,232
Total Liabilities	<u>\$ 308,879</u>	<u>\$ 56,252</u>	<u>\$ 365,131</u>

See the accompanying notes to the optional supplemental information.

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE OPTIONAL SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018**

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, 2018, 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 14, 2018.

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 14, 2018



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, 2018. 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.

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

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 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
Glendora, California
December 14, 2018

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 *2017-18 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, 2018. 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 *2017-18 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 ¹
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
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Act	Yes
After/Before 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
Charter Schools:	
Attendance	No ²
Mode of Instruction	No ²
Nonclassroom Based Instruction/Independent Study	No ²
Determination of Funding for Nonclassroom Based Instruction	No ²
Annual Instructional Minutes – Classroom Based	No ²
Charter School Facility Grant Program	No ²

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

²The District is not the granting agency for any Charter Schools.

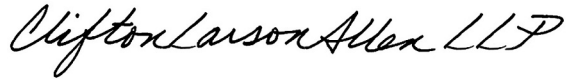
INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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, 2018.

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 *2017-18 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP
Glendora, California
December 14, 2018

FINDINGS AND QUESTIONED COSTS

SAN MARINO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2018

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?	_____	<i>Yes</i>	<u> X </u>	<i>No</i>
Significant deficiency(ies) identified?	_____	<i>Yes</i>	<u> X </u>	<i>None Reported</i>
Noncompliance material to financial statements noted?	_____	<i>Yes</i>	<u> X </u>	<i>No</i>

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified?	_____	<i>Yes</i>	<u> X </u>	<i>No</i>
Significant deficiency(ies) identified?	_____	<i>Yes</i>	<u> X </u>	<i>None Reported</i>

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>
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster

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, 2018

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

Five Digit Code	Finding Types
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, federal awards or state compliance for the year ended June 30, 2018.

SAN MARINO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2018

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:

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

SAN MARINO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2018

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 reclassified from the EL status are properly reported on the CalPADS report.

Current Status: Implemented.