

# SOLANA BEACH SCHOOL DISTRICT

AUDIT REPORT  
JUNE 30, 2018

San Diego

Los Angeles

San Francisco  
Bay Area

christywhite  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**SOLANA BEACH SCHOOL DISTRICT**  
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**JUNE 30, 2018**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Solana Beach School District  
Solana Beach, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Solana Beach School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Solana Beach School District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Christy White, CPA

Michael D. Ash, CPA

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Heather Daud Rubio

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Solana Beach School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in Notes 1 and 10 to the financial statements, in 2018 Solana Beach School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 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.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Solana Beach School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2018 on our consideration of Solana Beach School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Solana Beach School 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 Solana Beach School District's internal control over financial reporting and compliance.

*Christy White Associates*

San Diego, California  
November 19, 2018

# SOLANA BEACH SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

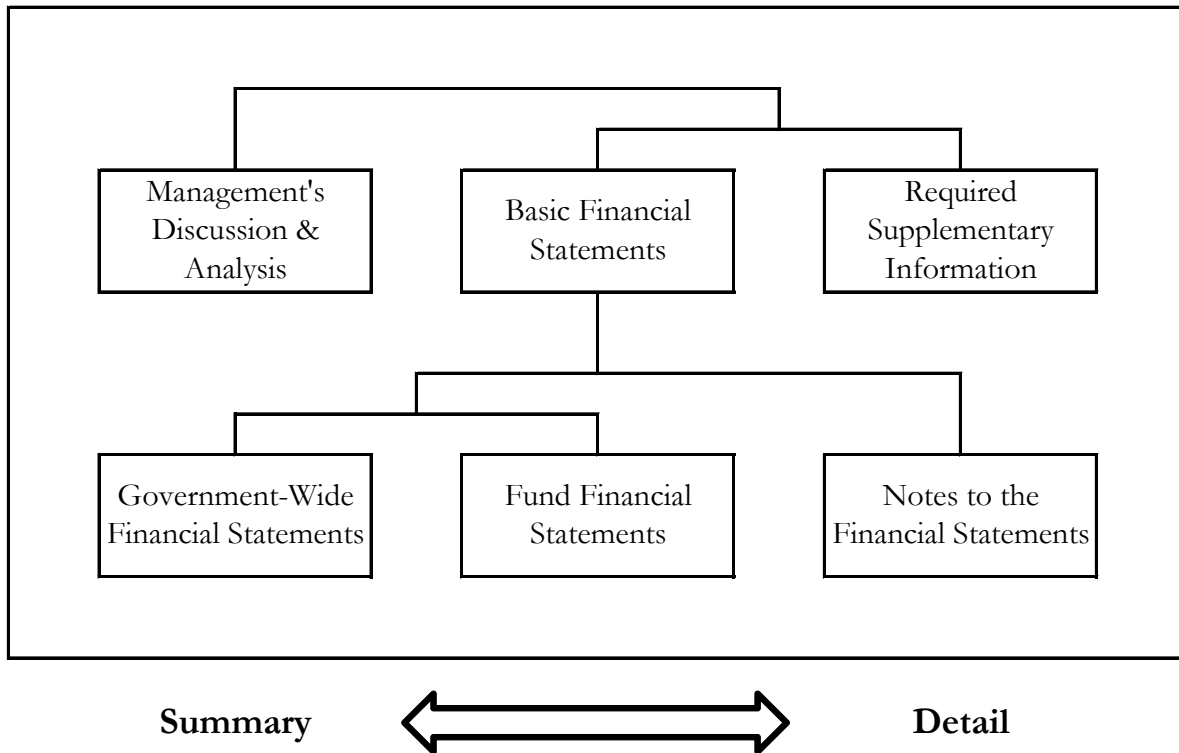
Our discussion and analysis of Solana Beach School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- ▶ The District's total combined net position was \$134,289,631 at June 30, 2018. This was an increase of \$16,705,159 from the prior year after restatement.
- ▶ Overall combined revenues were \$74,048,546 which exceeded combined expenses of \$57,343,387.

## OVERVIEW OF FINANCIAL STATEMENTS

### Components of the Financials Section





**SOLANA BEACH SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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This annual report consists of three parts – Management’s Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity’s overall financial position.
  
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs.
  - ▶ **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.
  - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

### **Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District’s net position and how it has changed. Net position is one way to measure the District’s financial health or position. Over time, increases or decreases in the District’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District’s basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**SOLANA BEACH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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

**Net Position**

The District's combined net position was \$134,289,631 at June 30, 2018, as reflected in the table below. Of this amount, \$(19,424,052) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities			Business-Type Activities		
	2018	2017	Net Change	2018	2017	Net Change
<b>ASSETS</b>						
Current and other assets	\$ 78,821,760	\$100,676,162	\$ (21,854,402)	\$ 1,619,276	\$ 1,590,840	\$ 28,436
Capital assets	158,095,146	118,262,573	39,832,573	130,944	149,000	(18,056)
<b>Total Assets</b>	<b>236,916,906</b>	<b>218,938,735</b>	<b>17,978,171</b>	<b>1,750,220</b>	<b>1,739,840</b>	<b>10,380</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>13,927,167</b>	<b>8,294,728</b>	<b>5,632,439</b>	<b>1,133,688</b>	<b>857,358</b>	<b>276,330</b>
<b>LIABILITIES</b>						
Current liabilities	2,399,152	3,569,969	(1,170,817)	67,227	120,990	(53,763)
Long-term liabilities	109,817,569	99,897,627	9,919,942	3,307,344	2,592,952	714,392
<b>Total Liabilities</b>	<b>112,216,721</b>	<b>103,467,596</b>	<b>8,749,125</b>	<b>3,374,571</b>	<b>2,713,942</b>	<b>660,629</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>3,735,801</b>	<b>2,038,004</b>	<b>1,697,797</b>	<b>111,257</b>	<b>179,960</b>	<b>(68,703)</b>
<b>NET POSITION</b>						
Net investment in capital assets	112,064,321	110,833,100	1,231,221	130,944	149,000	(18,056)
Restricted	41,518,418	25,377,917	16,140,501	-	-	-
Unrestricted	(18,691,188)	(14,483,154)	(4,208,034)	(732,864)	(445,704)	(287,160)
<b>Total Net Position</b>	<b>\$134,891,551</b>	<b>\$121,727,863</b>	<b>\$ 13,163,688</b>	<b>\$ (601,920)</b>	<b>\$ (296,704)</b>	<b>\$ (305,216)</b>

**SOLANA BEACH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The following table takes the information from the Statement and rearranges them slightly, so you can see total revenues, expenses, and special items for the year.

	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 669,656	\$ 684,712	\$ (15,056)	\$ -	\$ -	\$ -
Operating grants and contributions	10,279,586	5,732,893	4,546,693	2,841,139	2,767,284	73,855
Capital grants and contributions	11,663,155	-	11,663,155	-	-	-
General revenues						
Property taxes	42,720,262	38,576,821	4,143,441	-	-	-
Unrestricted federal and state aid	3,221,613	3,473,089	(251,476)	-	-	-
Other	2,098,114	527,459	1,570,655	555,021	599,394	(44,373)
<b>Total Revenues</b>	<b>70,652,386</b>	<b>48,994,974</b>	<b>21,657,412</b>	<b>3,396,160</b>	<b>3,366,678</b>	<b>29,482</b>
<b>EXPENSES</b>						
Instruction	32,707,903	34,393,240	(1,685,337)	-	-	-
Instruction-related services	5,143,520	4,739,568	403,952	-	-	-
Pupil services	4,450,487	3,355,274	1,095,213	-	-	-
General administration	4,240,007	3,795,560	444,447	-	-	-
Plant services	4,908,414	6,624,373	(1,715,959)	-	-	-
Ancillary and community services	46,334	486	45,848	-	-	-
Debt service	1,798,899	508,315	1,290,584	-	-	-
Other outgo	-	220,000	(220,000)	-	-	-
Depreciation	-	1,695,197	(1,695,197)	18,056	18,056	-
Other	346,447	29,228	317,219	3,683,320	3,697,527	(14,207)
<b>Total Expenses</b>	<b>53,642,011</b>	<b>55,361,241</b>	<b>(1,719,230)</b>	<b>3,701,376</b>	<b>3,715,583</b>	<b>(14,207)</b>
<b>Change in net position</b>	<b>17,010,375</b>	<b>(6,366,267)</b>	<b>23,376,642</b>	<b>(305,216)</b>	<b>(348,905)</b>	<b>43,689</b>
<b>Net Position - Beginning, as Restated*</b>	<b>117,881,176</b>	<b>128,094,130</b>	<b>(10,212,954)</b>	<b>(296,704)</b>	<b>52,201</b>	<b>(348,905)</b>
<b>Net Position - Ending</b>	<b>\$134,891,551</b>	<b>\$121,727,863</b>	<b>\$ 13,163,688</b>	<b>\$ (601,920)</b>	<b>\$ (296,704)</b>	<b>\$ (305,216)</b>

\*Beginning Net Position for Governmental Activities was restated for the 2018 year only

**SOLANA BEACH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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

**Changes in Net Position (continued)**

In the table below, we have presented the governmental activities net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	<b>Net Cost of Services</b>	
	<b>2018</b>	<b>2017</b>
Instruction	\$ 17,945,470	\$ 31,155,736
Instruction-related services	4,877,154	4,608,031
Pupil services	3,047,214	2,222,151
General administration	4,062,255	3,332,259
Plant services	4,830,249	6,619,647
Ancillary and community services	41,098	477
Debt service	1,798,899	508,315
Transfers to other agencies	(5,917,494)	(1,227,405)
Depreciation	-	1,695,197
Other	344,769	29,228
<b>Total Expenses</b>	<b>\$ 31,029,614</b>	<b>\$ 48,943,636</b>

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$76,714,632, which is a significant decrease from last year's ending fund balance of \$97,270,476. The District's General Fund had \$2,367,304 less in operating revenues than expenditures for the year ended June 30, 2018. The Building Fund had \$38,733,724 less in operating revenues than expenditures for the year ended June 30, 2018 primarily due to continued construction of Skyline Elementary School. The County School Facilities Fund had \$11,663,155 more in operating revenues than expenditures for the year ended June 30, 2018. The Capital Projects Fund for Blended Component Units had \$1,224,880 more in operating revenues than expenditures for the year ended June 30, 2018.

**CURRENT YEAR BUDGET 2017-2018**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a frequent basis 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 financial projections and current budget based on State and local financial information.

**SOLANA BEACH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2017-2018 the District had invested \$158,095,146 in capital assets for governmental activities, net of accumulated depreciation. In addition, the District had invested \$130,944 in capital assets for business-type activities, net of accumulated depreciation, relating to the Child Development Enterprise Fund.

	Governmental Activities			Business-Type Activities		
	2018	2017	Net Change	2018	2017	Net Change
<b>CAPITAL ASSETS</b>						
Land	\$ 58,982,165	\$ 58,982,165	\$ -	\$ -	\$ -	\$ -
Construction in progress	43,548,860	2,300,252	41,248,608	-	-	-
Land improvements	673,884	673,884	-	-	-	-
Buildings & improvements	77,986,353	77,720,664	265,689	84,268	84,268	-
Furniture & equipment	5,651,806	5,509,337	142,469	276,858	276,858	-
Accumulated depreciation	(28,747,922)	(26,923,729)	(1,824,193)	(230,182)	(212,126)	(18,056)
<b>Total Capital Assets</b>	<b>\$158,095,146</b>	<b>\$118,262,573</b>	<b>\$ 39,832,573</b>	<b>\$ 130,944</b>	<b>\$ 149,000</b>	<b>\$ (18,056)</b>

**Long-Term Debt**

At year-end, the District had \$109,817,569 in long-term debt related to governmental activities, an increase of 9.78%. In addition, the District had long-term liabilities in the amount of \$3,307,344 relating to business-type activities, an increase of 27.55%. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities			Business-Type Activities		
	2018	2017	Net Change	2018	2017	Net Change
<b>LONG-TERM LIABILITIES</b>						
Total general obligation bonds	\$ 53,838,783	\$ 53,971,155	\$ (132,372)	\$ -	\$ -	\$ -
Early retirement incentive	473,785	710,677	(236,892)	-	-	-
Compensated absences	397,446	334,990	62,456	-	-	-
Total OPEB liability*	8,516,468	3,937,559	4,578,909	-	-	-
Net pension liability	46,960,351	41,312,870	5,647,481	3,307,344	2,592,952	714,392
Less: current portion of long-term debt	(369,264)	(269,624)	(99,640)	-	-	-
<b>Total Long-term Liabilities</b>	<b>\$109,817,569</b>	<b>\$ 99,997,627</b>	<b>\$ 9,819,942</b>	<b>\$ 3,307,344</b>	<b>\$ 2,592,952</b>	<b>\$ 714,392</b>

\*The beginning total OPEB liability for 2018 was restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75 which supersedes GASB Statement No. 45 for the year ended June 30, 2018.

**SOLANA BEACH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

The State's economy continues to be strong but a new governor could change the fiscal policy for the funding of public education, within the boundaries of Proposition 98. Past fiscal allocations had included higher than expected funding but on-going funding may not be as strong. The UCLA Anderson Forecast (June 2018) noted that the "era of ultra-low interest rates has passed and the economy is at full employment," which creates difficulty sustaining continued growth at the rate recently experienced. And, according to the California Legislative Analyst's Office, there are concerns about a possible mild recession.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The 2018-19 adopted State Budget fully funded the LCFF funding gap two years ahead of schedule.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2018. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2018-19 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Lisa Davis, Assistant Superintendent of Business Services, Solana Beach District Office at (858) 794-7100.

**SOLANA BEACH SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Discretely Presented Component Unit</b>
<b>ASSETS</b>				
Cash and investments	\$ 77,636,489	\$ 1,562,177	\$ 79,198,666	\$ 543,889
Accounts receivable	1,145,375	78,915	1,224,290	-
Internal balances	21,816	(21,816)	-	-
Inventory	18,080	-	18,080	-
Beneficial interest in endowment	-	-	-	112,089
Capital assets, not depreciated	102,531,025	-	102,531,025	-
Capital assets, net of accumulated depreciation	55,564,121	130,944	55,695,065	-
<b>Total Assets</b>	<b>236,916,906</b>	<b>1,750,220</b>	<b>238,667,126</b>	<b>655,978</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	13,815,545	1,133,688	14,949,233	-
Deferred outflows related to OPEB	111,622	-	111,622	-
<b>Total Deferred Outflows of Resources</b>	<b>13,927,167</b>	<b>1,133,688</b>	<b>15,060,855</b>	<b>-</b>
<b>LIABILITIES</b>				
Accrued liabilities	1,970,927	67,227	2,038,154	210,851
Unearned revenue	58,961	-	58,961	-
Long-term liabilities, current portion	369,264	-	369,264	-
Long-term liabilities, non-current portion	109,817,569	3,307,344	113,124,913	-
<b>Total Liabilities</b>	<b>112,216,721</b>	<b>3,374,571</b>	<b>115,591,292</b>	<b>210,851</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	3,735,801	111,257	3,847,058	-
<b>Total Deferred Inflows of Resources</b>	<b>3,735,801</b>	<b>111,257</b>	<b>3,847,058</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	112,064,321	130,944	112,195,265	-
Restricted:				
Capital projects	32,400,126	-	32,400,126	-
Debt service	6,293,323	-	6,293,323	-
Educational programs	2,824,937	-	2,824,937	-
All others	32	-	32	934,297
Permanent endowment	-	-	-	112,089
Unrestricted	(18,691,188)	(732,864)	(19,424,052)	(601,259)
<b>Total Net Position</b>	<b>\$ 134,891,551</b>	<b>\$ (601,920)</b>	<b>\$ 134,289,631</b>	<b>\$ 445,127</b>

The accompanying notes are an integral part of these financial statements.

**SOLANA BEACH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Discretely Presented Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>GOVERNMENTAL ACTIVITIES</b>								
Instruction	\$ 32,707,903	\$ 726	\$ 3,098,552	\$ 11,663,155	\$ (17,945,470)			
Instruction-related services								
Instructional supervision and administration	1,875,611	-	174,021	-	(1,701,590)			
Instructional library, media, and technology	580,297	1	4,095	-	(576,201)			
School site administration	2,687,612	8	88,241	-	(2,599,363)			
Pupil services								
Home-to-school transportation	463,320	-	88,687	-	(374,633)			
Food services	1,162,019	634,112	176,453	-	(351,454)			
All other pupil services	2,825,148	-	504,021	-	(2,321,127)			
General administration								
Centralized data processing	1,217,855	244	41,546	-	(1,176,065)			
All other general administration	3,022,152	333	135,629	-	(2,886,190)			
Plant services	4,908,414	458	77,707	-	(4,830,249)			
Ancillary services	40,767	22	5,214	-	(35,531)			
Community services	5,567	-	-	-	(5,567)			
Enterprise activities	346,447	-	1,678	-	(344,769)			
Interest on long-term debt	1,798,899	-	-	-	(1,798,899)			
Other outgo	-	33,752	5,883,742	-	5,917,494			
<b>Total Governmental Activities</b>	<b>\$ 53,642,011</b>	<b>\$ 669,656</b>	<b>\$ 10,279,586</b>	<b>\$ 11,663,155</b>	<b>(31,029,614)</b>			
<b>BUSINESS-TYPE ACTIVITIES</b>								
Enterprise activities	3,683,320	-	2,841,139	-	(842,181)			
Depreciation (unallocated)	18,056	-	-	-	(18,056)			
<b>Total Business-Type Activities</b>	<b>3,701,376</b>	<b>-</b>	<b>2,841,139</b>	<b>-</b>	<b>(860,237)</b>			
<b>Total School District</b>	<b>\$ 57,343,387</b>	<b>\$ 669,656</b>	<b>\$ 13,120,725</b>	<b>\$ 11,663,155</b>		<b>\$ (31,889,851)</b>		
<b>DISCRETELY PRESENTED COMPONENT UNIT</b>								
Foundation operations	998,674	-	1,011,519	-			\$ 12,845	
<b>Total</b>	<b>\$ 998,674</b>	<b>\$ -</b>	<b>\$ 1,011,519</b>	<b>\$ -</b>			<b>\$ 12,845</b>	
General revenues								
Taxes and subventions								
Property taxes, levied for general purposes				36,809,281	-	36,809,281	-	
Property taxes, levied for debt service				4,705,399	-	4,705,399	-	
Property taxes, levied for other specific purposes				1,205,582	-	1,205,582	-	
Federal and state aid not restricted for specific purposes				3,221,613	-	3,221,613	-	
Interest and investment earnings				857,752	-	857,752	-	
Miscellaneous				1,240,362	555,021	1,795,383	-	
<b>Subtotal, General Revenue</b>				<b>48,039,989</b>	<b>555,021</b>	<b>48,595,010</b>	<b>-</b>	
<b>CHANGE IN NET POSITION</b>				<b>17,010,375</b>	<b>(305,216)</b>	<b>16,705,159</b>	<b>12,845</b>	
<b>Net Position - Beginning, as Restated*</b>				<b>117,881,176</b>	<b>(296,704)</b>	<b>117,584,472</b>	<b>432,282</b>	
<b>Net Position - Ending</b>				<b>\$ 134,891,551</b>	<b>\$ (601,920)</b>	<b>\$ 134,289,631</b>	<b>\$ 445,127</b>	

\*Beginning Net Position was restated for Governmental Activities only

The accompanying notes are an integral part of these financial statements.



**SOLANA BEACH SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

	General Fund	Building Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 26,815,635	\$ 7,859,436	\$ 11,591,387	\$ 15,640,131	\$ 14,847,207	\$ 76,753,796
Accounts receivable	589,564	76,900	71,786	59,060	305,060	1,102,370
Due from other funds	135,337	20,000	-	-	59,373	214,710
Stores inventory	8,274	-	-	-	9,806	18,080
<b>Total Assets</b>	<b>\$ 27,548,810</b>	<b>\$ 7,956,336</b>	<b>\$ 11,663,173</b>	<b>\$ 15,699,191</b>	<b>\$ 15,221,446</b>	<b>\$ 78,088,956</b>
<b>LIABILITIES</b>						
Accrued liabilities	\$ 932,314	\$ 93,338	\$ -	\$ 13,514	\$ 83,303	\$ 1,122,469
Due to other funds	134,988	55,040	-	-	2,866	192,894
Unearned revenue	-	-	-	-	58,961	58,961
<b>Total Liabilities</b>	<b>1,067,302</b>	<b>148,378</b>	<b>-</b>	<b>13,514</b>	<b>145,130</b>	<b>1,374,324</b>
<b>FUND BALANCES</b>						
Nonspendable	23,274	-	-	-	10,256	33,530
Restricted	1,673,040	7,807,958	11,663,173	15,685,677	15,044,389	51,874,237
Committed	-	-	-	-	21,671	21,671
Assigned	17,887,761	-	-	-	-	17,887,761
Unassigned	6,897,433	-	-	-	-	6,897,433
<b>Total Fund Balances</b>	<b>26,481,508</b>	<b>7,807,958</b>	<b>11,663,173</b>	<b>15,685,677</b>	<b>15,076,316</b>	<b>76,714,632</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 27,548,810</b>	<b>\$ 7,956,336</b>	<b>\$ 11,663,173</b>	<b>\$ 15,699,191</b>	<b>\$ 15,221,446</b>	<b>\$ 78,088,956</b>

The accompanying notes are an integral part of these financial statements.

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

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**Total Fund Balance - Governmental Funds** \$ 76,714,632

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

**Capital assets:**

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 186,843,068	
Accumulated depreciation	(28,747,922)	158,095,146

**Unmatured interest on long-term debt:**

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

(848,458)

**Long-term liabilities:**

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

Total general obligation bonds	\$ 53,838,783	
Early retirement incentive	473,785	
Compensated absences	397,446	
Total OPEB liability	8,516,468	
Net pension liability	46,960,351	(110,186,833)

**Deferred outflows and inflows of resources relating to pensions:**

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 13,815,545	
Deferred inflows of resources related to pensions	(3,735,801)	10,079,744

**Deferred outflows and inflows of resources relating to OPEB:**

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.

Deferred outflows of resources related to OPEB	\$ 111,622	
Deferred inflows of resources related to OPEB	-	111,622

**Internal service funds:**

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

925,698

**Total Net Position - Governmental Activities** \$ 134,891,551

The accompanying notes are an integral part of these financial statements.

**SOLANA BEACH SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Building Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
LCFF sources	\$ 38,578,381	\$ -	\$ -	\$ -	\$ 475,000	\$ 39,053,381
Federal sources	775,729	-	-	-	217,395	993,124
Other state sources	3,159,906	-	11,562,358	-	25,918	14,748,182
Other local sources	2,824,620	448,983	100,797	1,338,911	12,234,728	16,948,039
<b>Total Revenues</b>	<b>45,338,636</b>	<b>448,983</b>	<b>11,663,155</b>	<b>1,338,911</b>	<b>12,953,041</b>	<b>71,742,726</b>
<b>EXPENDITURES</b>						
Current						
Instruction	29,807,996	-	-	-	715,930	30,523,926
Instruction-related services						
Instructional supervision and administration	1,862,802	-	-	-	-	1,862,802
Instructional library, media, and technology	543,673	-	-	-	-	543,673
School site administration	2,544,126	-	-	-	12,136	2,556,262
Pupil services						
Home-to-school transportation	463,320	-	-	-	-	463,320
Food services	-	-	-	-	1,072,463	1,072,463
All other pupil services	2,813,710	-	-	-	-	2,813,710
General administration						
Centralized data processing	1,153,236	-	-	-	-	1,153,236
All other general administration	3,238,865	-	-	-	6,376	3,245,241
Plant services	4,538,728	261,395	-	82,468	700,295	5,582,886
Facilities acquisition and maintenance	347,553	38,921,312	-	31,563	1,390,064	40,690,492
Ancillary services	40,573	-	-	-	-	40,573
Community services	5,543	-	-	-	-	5,543
Enterprise activities	345,815	-	-	-	-	345,815
Debt service						
Interest and other	-	-	-	-	1,398,628	1,398,628
<b>Total Expenditures</b>	<b>47,705,940</b>	<b>39,182,707</b>	<b>-</b>	<b>114,031</b>	<b>5,295,892</b>	<b>92,298,570</b>
<b>Excess (Deficiency) of Revenues</b>						
<b>Over Expenditures</b>	<b>(2,367,304)</b>	<b>(38,733,724)</b>	<b>11,663,155</b>	<b>1,224,880</b>	<b>7,657,149</b>	<b>(20,555,844)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	248,279	248,279
Transfers out	(248,279)	-	-	-	-	(248,279)
<b>Net Financing Sources (Uses)</b>	<b>(248,279)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>248,279</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,615,583)</b>	<b>(38,733,724)</b>	<b>11,663,155</b>	<b>1,224,880</b>	<b>7,905,428</b>	<b>(20,555,844)</b>
<b>Fund Balance - Beginning, as Restated</b>	<b>29,097,091</b>	<b>46,541,682</b>	<b>18</b>	<b>14,460,797</b>	<b>7,170,888</b>	<b>97,270,476</b>
<b>Fund Balance - Ending</b>	<b>\$ 26,481,508</b>	<b>\$ 7,807,958</b>	<b>\$ 11,663,173</b>	<b>\$ 15,685,677</b>	<b>\$ 15,076,316</b>	<b>\$ 76,714,632</b>

The accompanying notes are an integral part of these financial statements.

**SOLANA BEACH SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

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**Net Change in Fund Balances - Governmental Funds** \$ (20,555,844)

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

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$	41,656,766	
Depreciation expense:		(1,824,193)	39,832,573

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (532,643)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: (62,456)

Other expenditures relating to prior periods:

Certain expenditures recognized in governmental funds relate to prior periods. Typical examples are payments on structured legal settlements or retirement incentives paid over time. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations were first incurred, so they must not be recognized again in the current period. Expenditures relating to prior periods were: 236,892

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (620,600)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (1,824,461)

*(continued on the following page)*

**SOLANA BEACH SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF  
ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:

132,372

Internal Service Funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:

404,542

**Change in Net Position of Governmental Activities**

\$ 17,010,375

**SOLANA BEACH SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2018**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
	<b>Child Development</b>	<b>Self-Insurance</b>
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 1,562,177	\$ 882,693
Accounts receivable	78,915	43,005
Due from other funds	55,615	-
Total current assets	<u>1,696,707</u>	<u>925,698</u>
Non-current assets		
Capital assets, net of accumulated depreciation	130,944	-
Total non-current assets	<u>130,944</u>	<u>-</u>
<b>Total Assets</b>	<u>1,827,651</u>	<u>925,698</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions	1,133,688	-
<b>Total Deferred Outflows of Resources</b>	<u>1,133,688</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities		
Accrued liabilities	67,227	-
Due to other funds	77,431	-
Total current liabilities	<u>144,658</u>	<u>-</u>
Non-current liabilities	3,307,344	-
<b>Total Liabilities</b>	<u>3,452,002</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	111,257	-
<b>Total Deferred Inflows of Resources</b>	<u>111,257</u>	<u>-</u>
<b>NET POSITION</b>		
Restricted	(601,920)	925,698
<b>Total Net Position</b>	<u>\$ (601,920)</u>	<u>\$ 925,698</u>

The accompanying notes are an integral part of these financial statements.

**SOLANA BEACH SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2018**

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	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
	<b>Child Development</b>	<b>Self-Insurance</b>
<b>OPERATING REVENUE</b>		
Other local revenues	\$ 3,374,672	\$ 416,734
<b>Total operating revenues</b>	<b>3,374,672</b>	<b>416,734</b>
<b>OPERATING EXPENSE</b>		
Salaries and benefits	3,069,478	21,901
Supplies and materials	190,345	-
Professional services	423,497	-
Depreciation	18,056	-
<b>Total operating expenses</b>	<b>3,701,376</b>	<b>21,901</b>
<b>Operating income/(loss)</b>	<b>(326,704)</b>	<b>394,833</b>
<b>NON-OPERATING REVENUES</b>		
Interest income	21,488	9,709
<b>Total non-operating revenues</b>	<b>21,488</b>	<b>9,709</b>
<b>CHANGE IN NET POSITION</b>		
<b>Net Position - Beginning</b>	<b>(305,216)</b>	<b>404,542</b>
<b>Net Position - Ending</b>	<b>\$ (601,920)</b>	<b>\$ 925,698</b>

The accompanying notes are an integral part of these financial statements.

**SOLANA BEACH SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
	<b>Child Development</b>	<b>Self-Insurance</b>
<b>Cash flows from operating activities</b>		
Cash received from user charges	\$ 3,414,966	\$ 412,511
Cash paid from assessments made from other funds	(5,375)	-
Cash payments for payroll, insurance, and operating costs	(3,367,724)	-
Net cash provided by operating activities	<u>41,867</u>	<u>412,511</u>
<b>Cash flows from investing activities</b>		
Interest received	21,488	9,709
Net cash provided by investing activities	<u>21,488</u>	<u>9,709</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>63,355</u>	<u>422,220</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	1,498,822	460,473
End of year	<u>\$ 1,562,177</u>	<u>\$ 882,693</u>
<b>Reconciliation of operating income (loss) to cash provided by (used for) operating activities</b>		
Operating income (loss)	\$ (326,704)	\$ 394,833
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	18,056	-
Changes in assets and liabilities:		
(Increase)/Decrease in accounts receivable	40,294	(4,223)
Decrease in prepaid expenses	-	21,901
Increase in deferred outflows of resources	(276,330)	
Increase in due from other funds	(55,615)	-
Decrease in accounts payable	(53,763)	-
Increase in due to other funds	50,240	-
Increase in net pension liability	714,392	-
Decrease in deferred inflows of resources	(68,703)	-
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 41,867</u>	<u>\$ 412,511</u>

The accompanying notes are an integral part of these financial statements.



SOLANA BEACH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2018

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	<u>Agency Fund</u> <u>Student Body</u> <u>Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 48,363
<b>Total Assets</b>	<u>\$ 48,363</u>
<b>LIABILITIES</b>	
Due to student groups	\$ 48,363
<b>Total Liabilities</b>	<u>\$ 48,363</u>

The accompanying notes are an integral part of these financial statements.

SOLANA BEACH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Solana Beach School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-6 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASBS No. 39, Determining Whether Certain Organizations Are Component Units, GASBS No. 61, The Financial Reporting Entity: Omnibus and GASBS No. 80, Blending Requirements for Certain Component Units. The Financial Reporting Entity, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

SOLANA BEACH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

**B. Component Units (*continued*)**

The District is authorized to issue special assessment debt through the Community Facilities Districts and the Solana Beach Financing Authority. The District, the Community Facilities Districts No. 99-1, 2000-1, 2004-1, 2006-1, and the Authority have a financial and operating relationship which meets the reporting entity definition criteria of the GASB statement No. 14, as amended by GASBS No. 39, Determining Whether Certain Organizations Are Component Units, GASBS No. 61, The Financial Reporting Entity: Omnibus and GASBS No. 80, Blending Requirements for Certain Component Units for inclusion as component units of the District. Accordingly, the financial activities of the CFD's and special tax bonds have been included in the financial statements of the District.

The Solana Beach Schools Foundation (the Foundation) is a California nonprofit corporation. The Foundation is a legally separate, tax-exempt component unit of the District. The Foundation was organized with the purpose of providing benefits to the educational programs and services of the District. Although the District does not control the timing or amount of receipts from the Foundation, the majority of the resources or income thereon that the Foundation holds and invests is restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

During the year ended June 30, 2018, the Foundation distributed \$869,545 to the District for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at Solana Beach Foundation for Learning, Solana Beach, California, 92075.

**C. Basis of Presentation**

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

SOLANA BEACH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. **Basis of Presentation** (*continued*)

**Fund Financial Statements.** The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

**Major Governmental Funds**

**General Fund:** The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

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

**County School Facilities Fund:** This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

**Capital Projects Fund for Blended Component Units:** This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds

**Special Revenue Funds:** Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

**Cafeteria Special Revenue Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

**Deferred Maintenance Fund:** This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

**Foundation Special Revenue Fund:** This fund is used to account for resources received from gifts or bequests pursuant to *Education Code Section 41031* under which both earnings and principal may be used for purposes that support the District's own programs and where there is a formal trust agreement with the donor.

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

**Capital Facilities Fund:** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

SOLANA BEACH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

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

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

Proprietary Funds

**Enterprise Funds:** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

**Child Development Enterprise Fund:** The child development enterprise fund is used to account for resources committed to child development programs maintained by the District.

**Internal Service Funds:** Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

**Self-Insurance Fund:** Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section 17566*).

Fiduciary Funds

**Trust and Agency Funds:** Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

**Student Body Fund:** The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. **Basis of Accounting – Measurement Focus**

**Government-Wide, Proprietary, and Fiduciary Financial Statements**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus 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 improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

**Governmental Funds**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Accounting – Measurement Focus (*continued*)

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue**

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

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.



SOLANA BEACH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

**Cash and Cash Equivalents**

The District’s cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

**Investments**

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

**Inventories**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their 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 in GASB Statement No. 34. 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 estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	7 – 30 years
Equipment	5 – 20 years

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	June 30, 2016 – June 30, 2017

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Premiums and Discounts**

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

**Deferred Outflows/Deferred Inflows of Resources**

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**Pensions**

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

SOLANA BEACH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

*Restricted* - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner, in which they were imposed, that is, by the same formal action of the Governing Board.

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

SOLANA BEACH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

SOLANA BEACH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

J. New Accounting Pronouncements

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 75 for the year ended June 30, 2018.

**GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 85** – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This standard's primary objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 85 for the year ended June 30, 2018.

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

**GASB Statement No. 88** – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has not determined the impact on the financial statements.

SOLANA BEACH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Governmental Activities	Business-Type Activities	Fiduciary Funds
Investment in county treasury	\$ 74,239,136	\$ 882,693	\$ 75,121,829	\$ 1,562,177	\$ -
Cash on hand and in banks	-	-	-	-	48,363
Cash with fiscal agent	2,499,210	-	2,499,210	-	-
Cash in revolving fund	15,450	-	15,450	-	-
<b>Total cash and investments</b>	<b>\$ 76,753,796</b>	<b>\$ 882,693</b>	<b>\$ 77,636,489</b>	<b>\$ 1,562,177</b>	<b>\$ 48,363</b>

B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The San Diego County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**Cash with a Fiscal Agent** – The total amount of \$2,499,210 represents cash held by the Bank of New York Mellon trust company for the Capital Projects for Blended Component Units Fund.

**SOLANA BEACH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**C. General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker’s Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$76,188,138 and an amortized book value of \$76,684,006. The average weighted maturity for this pool is 345 days.

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2018, the pooled investments in the County Treasury were rated at least A.



**SOLANA BEACH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**F. Custodial Credit Risk – Deposits**

This 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 policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance was not exposed to custodial credit risk.

**G. Fair Value**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the San Diego County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2018 were as follows:

	<b><u>Uncategorized</u></b>
Investment in county treasury	\$ 76,188,138
<b>Total fair market value of investments</b>	<b><u>\$ 76,188,138</u></b>

**SOLANA BEACH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2018 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	Internal Service Funds	Governmental Activities	Business-Type Activities
Federal Government								
Categorical aid	\$ 82,809	\$ -	\$ -	\$ -	\$ 46,638	\$ -	\$ 129,447	\$ -
State Government								
Apportionment	-	-	-	-	-	-	-	-
Categorical aid	44,402	-	-	-	2,338	-	46,740	-
Lottery	127,805	-	-	-	-	-	127,805	-
Local Government								
Other local sources	334,548	76,900	71,786	59,060	256,084	43,005	841,383	78,915
<b>Total</b>	<b>\$ 589,564</b>	<b>\$ 76,900</b>	<b>\$ 71,786</b>	<b>\$ 59,060</b>	<b>\$ 305,060</b>	<b>\$ 43,005</b>	<b>\$ 1,145,375</b>	<b>\$ 78,915</b>

**NOTE 4 – CAPITAL ASSETS**

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

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 58,982,165	\$ -	\$ -	\$ 58,982,165
Construction in progress	2,300,252	41,248,608	-	43,548,860
Total Capital Assets not Being Depreciated	61,282,417	41,248,608	-	102,531,025
Capital assets being depreciated				
Land improvements	673,884	-	-	673,884
Buildings & improvements	77,720,664	265,689	-	77,986,353
Furniture & equipment	5,509,337	142,469	-	5,651,806
Total Capital Assets Being Depreciated	83,903,885	408,158	-	84,312,043
Less Accumulated Depreciation				
Land improvements	655,303	844	-	656,147
Buildings & improvements	21,246,609	1,561,795	-	22,808,404
Furniture & equipment	5,021,817	261,554	-	5,283,371
Total Accumulated Depreciation	26,923,729	1,824,193	-	28,747,922
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 118,262,573</b>	<b>\$ 39,832,573</b>	<b>\$ -</b>	<b>\$ 158,095,146</b>
<b>Business-Type Activities</b>				
Capital assets being depreciated				
Buildings & improvements	\$ 84,268	\$ -	\$ -	\$ 84,268
Furniture & equipment	276,858	-	-	276,858
Total Capital Assets Being Depreciated	361,126	-	-	361,126
Less Accumulated Depreciation				
Buildings & improvements	8,426	4,213	-	12,639
Furniture & equipment	203,700	13,843	-	217,543
Total Accumulated Depreciation	212,126	18,056	-	230,182
<b>Business-Type Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 149,000</b>	<b>\$ (18,056)</b>	<b>\$ -</b>	<b>\$ 130,944</b>

**SOLANA BEACH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

**NOTE 5 – INTERFUND TRANSACTIONS**

**A. Interfund Receivables/Payables (Due From/Due To)**

Individual interfund receivable and payable balances at June 30, 2018 were as follows:

Due To Other Funds	Due From Other Funds					Total
	General Fund	Building Fund	Non-Major Governmental Funds	Child Development Enterprise Fund		
General Fund	\$ -	\$ 20,000	\$ 59,373	\$ 55,615		\$ 134,988
Building Fund	55,040	-	-	-		55,040
Non-Major Governmental Funds	2,866	-	-	-		2,866
Child Development Enterprise Fund	77,431	-	-	-		77,431
<b>Total Due From Other Funds</b>	<b>\$ 135,337</b>	<b>\$ 20,000</b>	<b>\$ 59,373</b>	<b>\$ 55,615</b>		<b>\$ 270,325</b>

Due from the Child Development Enterprise Fund to the General Fund for June CDC rent and Summer Enrichment revenues.	\$	77,431
Due from the General Fund to the Cafeteria Fund to support program costs.		59,373
Due from the General Fund to the Child Development Enterprise Fund to correct CDC and Summer Enrichment program revenues.		55,615
Due from the Building Fund to the General Fund for reimbursement of Measure JJ expenses.		55,040
Due from the General Fund to the Building Fund for PTA contribution to Measure JJ bond program.		20,000
Due from the Cafeteria Fund to the General Fund for OPEB contributions.		1,574
Due from the Foundation Special Revenue Fund to the General Fund for OPEB contributions.		1,292
<b>Total</b>	<b>\$</b>	<b>270,325</b>

**B. Operating Transfers**

There was an operating transfer from the General Fund to the Cafeteria Fund for the Child Nutrition Initiative and other program costs in the amount of \$208,279 as well as an operating transfer from the General Fund to the Deferred Maintenance Fund for deferred maintenance projects in the amount of \$40,000 during the year ended June 30, 2018.

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2018 consisted of the following:

	General Fund	Building Fund	Capital Projects	Non-Major	Governmental	District-Wide	Governmental	Business-Type
			Fund for Blended Component Units	Governmental Funds			Activities	Activities
Payroll	\$ 454,440	\$ -	\$ -	\$ 7,268	\$ -	\$ -	\$ 461,708	\$ 31,512
Construction		93,338	-	13,725	-	-	107,063	-
Vendors payable	477,874	-	13,514	62,310	-	-	553,698	35,715
Unmatured interest	-	-	-	-	848,458	-	848,458	-
<b>Total</b>	<b>\$ 932,314</b>	<b>\$ 93,338</b>	<b>\$ 13,514</b>	<b>\$ 83,303</b>	<b>\$ 848,458</b>	<b>\$ -</b>	<b>\$ 1,970,927</b>	<b>\$ 67,227</b>

**SOLANA BEACH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 7 – UNEARNED REVENUE**

Unearned revenue as of June 30, 2018 consisted of \$58,961 in the Cafeteria Fund related to local sources.

**NOTE 8 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2018 consisted of the following:

	<b>Restated Balance July 01, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2018</b>	<b>Balance Due In One Year</b>
<b>Governmental Activities</b>					
General obligation bonds	\$ 50,000,000	\$ -	\$ -	\$ 50,000,000	\$ -
Unamortized premium	3,971,155	-	132,372	3,838,783	132,372
Total general obligation bonds	53,971,155	-	132,372	53,838,783	132,372
Early retirement incentive	710,677	-	236,892	473,785	236,892
Compensated absences	334,990	62,456	-	397,446	-
Total OPEB liability	7,784,246	732,222	-	8,516,468	-
Net pension liability	41,312,870	5,647,481	-	46,960,351	-
<b>Total</b>	<b>\$ 104,113,938</b>	<b>\$ 6,442,159</b>	<b>\$ 369,264</b>	<b>\$ 110,186,833</b>	<b>\$ 369,264</b>
<b>Business-Type Activities</b>					
Net pension liability	2,592,952	714,392	-	3,307,344	-
<b>Total</b>	<b>\$ 2,592,952</b>	<b>\$ 714,392</b>	<b>\$ -</b>	<b>\$ 3,307,344</b>	<b>\$ -</b>

- Payments for PARS early retirement incentive program are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.
- Payments for general obligation bonds are made from the Bond Interest and Redemption Fund.

**A. Compensated Absences**

Total unpaid employee compensated absences as of June 30, 2018 amounted to \$397,446. This amount is included as part of long-term liabilities in the government-wide financial statements.

SOLANA BEACH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 8 – LONG-TERM DEBT (*continued*)

**B. Non-Obligatory Debt**

Non-obligatory debt relates to debt issuances by the Solana Beach School District and the Community Facilities Districts 99-1, 2000-1 and 2004-1, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings.

On November 15, 2012, non-obligatory debt of \$34,450,000 was issued through the Solana Beach School District Public Financing Authority to finance the acquisition and construction of certain school facilities serving the property within the Community Facilities Districts, to fund a portion of the reserve fund for the bonds, and to fund a portion of the costs of issuing the bonds and special tax bonds. As of June 30, 2018, outstanding special assessment debt of \$2,865,000 from the 2012 Special Tax Refunding Bonds and \$31,010,000 from the 2012 Special Tax Bonds, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

**C. Other Postemployment Benefits**

The District's restated beginning total OPEB liability was \$7,784,246 and increased by \$732,222 during the year ended June 30, 2018. The ending total OPEB liability at June 30, 2018 was \$8,516,486. See Note 10 for additional information regarding the total OPEB liability.

**D. Net Pension Liability**

The District's combined beginning net pension liability was \$43,905,822 and increased by \$6,361,873 during the year ended June 30, 2018. The combined ending net pension liability at June 30, 2018 was \$50,267,695. See Note 11 for additional information regarding the net pension liability.

SOLANA BEACH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 8 – LONG-TERM DEBT (continued)

E. Early Retirement Incentive

Total early retirement incentive as of June 30, 2018 is as follows:

<u>Year Ended June 30,</u>	<u>ERI Payment</u>
2019	\$ 236,892
2020	236,893
Total	<u>\$ 473,785</u>

F. General Obligation Bonds

On May 3, 2017, the District issued the Election of 2016, Series A bonds of the Measure JJ bond authorization, which consisted of current interest with an initial par amount of \$50,000,00, with stated interest rates of 2.0% to 5.0% and maturing through August 1, 2046. At June 30, 2018, the annual requirements to amortize the general obligation bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 4,550,000	\$ 1,945,300	\$ 6,495,300
2020	4,235,000	1,769,600	6,004,600
2021	870,000	1,667,500	2,537,500
2022	905,000	1,641,050	2,546,050
2023	925,000	1,622,750	2,547,750
2024 - 2028	5,080,000	7,581,400	12,661,400
2029 - 2033	6,450,000	6,170,600	12,620,600
2034 - 2038	7,990,000	4,623,000	12,613,000
2039 - 2043	9,720,000	2,857,600	12,577,600
2044 - 2047	9,275,000	760,100	10,035,100
Total	<u>\$ 50,000,000</u>	<u>\$ 30,638,900</u>	<u>\$ 80,638,900</u>

**SOLANA BEACH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2018:

	<b>General Fund</b>	<b>Building Fund</b>	<b>County School Facilities Fund</b>	<b>Capital Projects Fund for Blended Component Units</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Non-spendable</b>						
Revolving cash	\$ 15,000	\$ -	\$ -	\$ -	\$ 450	\$ 15,450
Stores inventory	8,274	-	-	-	9,806	18,080
Total non-spendable	23,274	-	-	-	10,256	33,530
<b>Restricted</b>						
Educational programs	1,673,040	-	-	-	1,151,897	2,824,937
Capital projects	-	7,807,958	11,663,173	15,685,677	6,750,679	41,907,487
Debt service	-	-	-	-	7,141,781	7,141,781
All others	-	-	-	-	32	32
Total restricted	1,673,040	7,807,958	11,663,173	15,685,677	15,044,389	51,874,237
<b>Committed</b>						
Deferred maintenance	-	-	-	-	21,671	21,671
Total committed	-	-	-	-	21,671	21,671
<b>Assigned</b>						
SPED uncertainties designation	300,000	-	-	-	-	300,000
Early intervention program	113,000	-	-	-	-	113,000
Mental health/social emotional	350,000	-	-	-	-	350,000
Instructional materials	150,000	-	-	-	-	150,000
Cash flow	16,974,761	-	-	-	-	16,974,761
Total assigned	17,887,761	-	-	-	-	17,887,761
<b>Unassigned</b>						
Reserve for economic uncertainties	6,897,433	-	-	-	-	6,897,433
Total unassigned	6,897,433	-	-	-	-	6,897,433
<b>Total</b>	<b>\$ 26,481,508</b>	<b>\$ 7,807,958</b>	<b>\$ 11,663,173</b>	<b>\$ 15,685,677</b>	<b>\$ 15,076,316</b>	<b>\$ 76,714,632</b>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**A. Plan Description**

The Solana Beach School District's defined benefit OPEB plan (the Plan) that provides medical and dental insurance benefits to eligible retirees and their spouses. The Plan is a single employer defined benefit plan administered by the District.

**B. Benefits Provided**

The eligibility requirements and benefits provided by the Plan are described below.

**Certificated Employees**

The District provides retiree medical (including prescription drug benefits), dental, and vision benefits to eligible retirees and their eligible dependents to age 65 or Medicare eligibility, if earlier. Eligibility for retiree benefits requires retirement under STRS/PERS on or after age 55 with at least 15 years of District eligible service.

The District's contribution is 75% of the retiree-only medical premium for the targeted HMO plan plus 5% of the retiree-only premium for the HMO for each additional year of District eligible service in excess of 15 years to a maximum of 100%. The targeted HMO is the United Healthcare (UHC) Network 1 HMO. In addition, the District will pay the cost of the District's HMO retiree only dental insurance (currently \$655.00). The District does not provide any financial contribution for coverage beyond age 65. Retirees can elect dependent medical coverage and additional dental and vision coverage on a self-paid basis. Any spouse coverage elected by the retiree ceases upon death of the retiree except for COBRA continuation coverage.

**Classified Employees**

The District provides retiree medical (including prescription drug benefits), dental, and vision benefits to eligible retirees and their eligible dependents to age 65 or Medicare eligibility, if earlier. Eligibility for retiree benefits requires retirement under STRS/PERS on or after age 55 with at least 15 years of District eligible service.

The District's contribution is 50% of the retiree-only medical premium for the targeted HMO plan plus 5% of the retiree-only premium for the HMO for each additional year of age in excess of 55 to a maximum of 100%. The targeted HMO is the UHC Network 1 HMO. If an eligible employee retires at age 60 or older and has at least 20 years of District service and has been covered by District health benefits for the previous 20 years, the District will pay full benefits for 5 years or Medicare eligibility, if earlier. In addition, the District will pay the cost of the District's HMO retiree only dental insurance (currently \$655.00). The District does not provide any financial contribution for coverage beyond age 65. Retirees can elect dependent medical coverage and additional dental and vision coverage on a self-paid basis. Any spouse coverage elected by the retiree ceases upon death of the retiree except for COBRA continuation coverage.



NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (*continued*)

**B. Benefits Provided (*continued*)**

**Management Employees**

The District provides retiree medical (including prescription drug benefits), dental, and vision benefits to eligible retirees and their eligible dependents to age 65 or Medicare eligibility, if earlier. Eligibility for retiree benefits requires retirement under STRS/PERS on or after age 55 with at least 8 years of District eligible service.

The District’s contribution is 50% of the retiree-only medical premium for the targeted HMO plan plus 5% of the retiree-only premium for the HMO for each additional year of District eligible service in excess of 8 years to a maximum of 100%. The targeted HMO is the UHC Network 1 HMO. In addition, the District will pay the cost of the District’s HMO retiree only dental insurance (currently \$655.00). The District does not provide any financial contribution for coverage beyond age 65. Retirees can elect dependent medical coverage and additional dental and vision coverage on a self-paid basis. Any spouse coverage elected by the retiree ceases upon death of the retiree except for COBRA continuation coverage.

**Board Members**

A board member, whose first term of office began on or after January 1, 1995 and who retires after at least one term, may continue health and welfare benefits at his/her own expense if covered at the time of retirement.

**C. Contributions**

The contribution requirements of Plan members and the Solana Beach School District are established and may be amended by the Solana Beach School District and its Plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

**D. Plan Membership**

Membership of the Plan consisted of the following:

	<u>Number of participants</u>
Inactive employees receiving benefits	13
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	329
<b>Total number of participants**</b>	<u>342</u>

\*Information not provided

\*\*As of the June 30, 2017 valuation date

SOLANA BEACH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (*continued*)

E. Total OPEB Liability

The Solana Beach School District's total OPEB liability of \$8,516,468 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions and Other Inputs

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

**Economic assumptions:**

Inflation	2.75%
Salary increases	3.00%
Discount Rate	3.40%
Healthcare cost trend rates	6.50%

**Non-economic assumptions:**

*Mortality:*

Certificated	Most Recent CalSTRS Mortality Tables
Classified	Most Recent CalPERS Mortality Tables

*Termination rates:*

Certificated	Most Recent CalSTRS Termination Rates
Classified	Most Recent CalPERS Termination Rates

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

SOLANA BEACH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

G. Changes in Total OPEB Liability

	<u>June 30, 2018</u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 651,059
Interest on total OPEB liability	283,363
Benefits payments	<u>(202,200)</u>
Net change in total OPEB liability	732,222
Total OPEB liability - beginning	<u>7,784,246</u>
Total OPEB liability - ending	<u>\$ 8,516,468</u>
Covered payroll	\$ 23,581,000
District's total OPEB liability as a percentage of covered payroll	36.12%

The Solana Beach School District has invoked Paragraph 244 of GASB Statement 75 for the transition due to cost constraints. Consequently, in order to determine the beginning total OPEB liability, a “roll-back” technique has been used.

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

The following presents the total OPEB liability of the Solana Beach School District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.40 percent) or one percentage point higher (4.40 percent) than the current discount rate:

	<b>Valuation</b>		
	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>(2.4%)</b>	<b>(3.4%)</b>	<b>(4.4%)</b>
Total OPEB liability	\$ 9,271,978	\$ 8,516,468	\$ 7,807,309

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Solana Beach School District, as well as what the District’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current healthcare cost trend rate:

	<b>Valuation</b>		
	<b>1% Decrease</b>	<b>Trend Rate</b>	<b>1% Increase</b>
	<b>(5.5%)</b>	<b>(6.5%)</b>	<b>(7.5%)</b>
Total OPEB liability	\$ 7,441,451	\$ 8,516,468	\$ 9,796,699

**SOLANA BEACH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2018, the Solana Beach School District recognized OPEB expense of \$934,422. At June 30, 2018, the Solana Beach School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 111,622	\$ -
	<u>\$ 111,622</u>	<u>\$ -</u>

The \$111,622 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

Prior periods of deferred outflows and deferred inflows of resources were not restated due to the fact that prior valuations were not rerun in accordance with Paragraph 244 of GASB Statement 75. It was determined the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified. In the future, gains and losses related to changes in total OPEB liability will be recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

**SOLANA BEACH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 11 – PENSION PLANS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<b>Net pension liability</b>	<b>Deferred outflows related to pensions</b>	<b>Deferred inflows related to pensions</b>	<b>Pension expense</b>
STRS Pension	\$ 35,052,670	\$ 10,107,337	\$ 3,367,414	\$ 3,337,553
PERS Pension	15,215,025	4,841,896	479,644	2,859,613
<b>Total</b>	<b>\$ 50,267,695</b>	<b>\$ 14,949,233</b>	<b>\$ 3,847,058</b>	<b>\$ 6,197,166</b>

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

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**Benefits Provided**

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**SOLANA BEACH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2018, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$2,963,083 for the year ended June 30, 2018.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,686,350 to CalSTRS.

**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:

District's proportionate share of the net pension liability	\$ 35,052,670
State's proportionate share of the net pension liability associated with the District	20,737,033
Total	\$ 55,789,703

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to 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 0.038 percent, which was a decrease of 0.002 percent from its proportion measured as of June 30, 2016.

SOLANA BEACH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 11 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

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

For the year ended June 30, 2018, the District recognized pension expense of \$3,337,553. In addition, the District recognized pension expense and revenue of \$956,010 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>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 933,550
Differences between expected and actual experience	129,628	611,375
Changes in assumptions	6,493,916	
Changes in proportion and differences between District contributions and proportionate share of contributions	520,710	1,822,489
District contributions subsequent to the measurement date	2,963,083	-
	<u>\$ 10,107,337</u>	<u>\$ 3,367,414</u>

The \$2,963,083 reported as 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 1,234,102	\$ 1,233,590
2020	1,234,102	(130,605)
2021	1,234,102	372,955
2022	1,234,100	1,287,601
2023	1,103,924	385,431
2024	1,103,924	218,442
	<u>\$ 7,144,254</u>	<u>\$ 3,367,414</u>

SOLANA BEACH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 11 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

\* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

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 (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
	100%	

\*20-year geometric average



SOLANA BEACH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 11 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’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 the total pension liability.

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
District's proportionate share of the net pension liability	\$ 51,468,448	\$ 35,052,670	\$ 21,730,154

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 11 – PENSION PLANS (*continued*)

**B. California Public Employees’ Retirement System (CalPERS)**

**Plan Description**

The District contributes to the School Employer Pool 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 Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**Benefits Provided**

The benefits for the defined benefit plan are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.5% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2018 was 15.531% of annual payroll. Contributions to the plan from the District were \$1,040,516 for the year ended June 30, 2018.

**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 of \$15,215,025 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to 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 0.064 percent, which was an increase of 0.00451 percent from its proportion measured as of June 30, 2016.

SOLANA BEACH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

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

For the year ended June 30, 2018, the District recognized pension expense of \$2,859,866. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 526,336	\$ -
Differences between expected and actual experience	545,092	-
Changes in assumptions	2,222,394	179,138
Changes in proportion and differences between District contributions and proportionate share of contributions	507,558	300,506
District contributions subsequent to the measurement date	1,040,516	-
	<u>\$ 4,841,896</u>	<u>\$ 479,644</u>

The \$1,040,516 reported as 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 1,289,562	\$ 345,283
2020	1,629,186	134,361
2021	1,170,853	-
2022	(288,221)	-
	<u>\$ 3,801,380</u>	<u>\$ 479,644</u>

SOLANA BEACH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2018

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NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) 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.

SOLANA BEACH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2018

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NOTE 11 – PENSION PLANS (continued)

**B. California Public Employees’ Retirement System (CalPERS) (continued)**

**Actuarial Assumptions (continued)**

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	<u>100.0%</u>		

\*An expected inflation of 2.50% used for this period.  
 \*\*An expected inflation of 3.00% used for this period.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 22,386,178	\$ 15,215,025	\$ 9,265,954

**SOLANA BEACH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees’ Retirement System (CalPERS) (continued)**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

**B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

**C. Construction Commitments**

As of June 30, 2018, the District had outstanding commitments with respect to unfinished capital projects in the amount of \$13,102,688. Of this amount, \$11,690,308 related to the Measure JJ bond program.

**NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

The District is a member of the San Diego County Schools Risk Management JPA (SDCSRMS) public entity risk pool and the North City West School Facilities Financing Authority. The District pays an annual premium to each entity for its health, worker’s compensation, and property liability coverage. The relationships between the District, the pools, and the JPA’s are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

SOLANA BEACH SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2018

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NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2018, total deferred outflows related to pensions was \$14,949,233 and total deferred inflows related to pensions was \$3,847,058.

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2018, total deferred outflows related to other postemployment benefits was \$111,622.

NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the District’s total OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect on beginning net position is presented as follows:

	<b>Governmental Activities</b>
Net Position - Beginning, as Previously Reported	\$ 121,727,863
Restatement	<u>(3,846,687)</u>
Net Position - Beginning, as Restated	<u>\$ 117,881,176</u>

In addition, the beginning fund balance of the General Fund and the Deferred Maintenance Fund have been restated in order to reflect the adjustments made in accordance with GASB Statement No. 54. As a result, the beginning fund balance of the General Fund as previously reported has been reduced by \$3 to \$29,097,091. Likewise, the beginning fund balance of the Deferred Maintenance Fund, as previously reported, has been increased by \$3.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**SOLANA BEACH SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 36,560,190	\$ 38,081,865	\$ 38,578,381	\$ 496,516
Federal sources	673,775	788,333	775,729	(12,604)
Other state sources	2,472,182	3,122,660	3,159,906	37,246
Other local sources	1,910,239	2,779,748	2,699,094	(80,654)
<b>Total Revenues</b>	<b>41,616,386</b>	<b>44,772,606</b>	<b>45,213,110</b>	<b>440,504</b>
<b>EXPENDITURES</b>				
Certificated salaries	20,114,081	20,931,471	21,696,024	(764,553)
Classified salaries	6,341,864	6,465,057	6,284,168	180,889
Employee benefits	11,093,730	11,042,757	11,970,751	(927,994)
Books and supplies	1,393,150	3,171,482	2,035,182	1,136,300
Services and other operating expenditures	3,798,958	5,615,509	5,824,228	(208,719)
Capital outlay	701,408	357,417	153,827	203,590
<b>Total Expenditures</b>	<b>43,443,191</b>	<b>47,583,693</b>	<b>47,964,180</b>	<b>(380,487)</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(1,826,805)</b>	<b>(2,811,087)</b>	<b>(2,751,070)</b>	<b>60,017</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(291,704)	(383,137)	(248,509)	134,628
<b>Net Financing Sources (Uses)</b>	<b>(291,704)</b>	<b>(383,137)</b>	<b>(248,509)</b>	<b>134,628</b>
<b>NET CHANGE IN FUND BALANCE</b>				
<b>Fund Balance - Beginning</b>	<b>20,991,840</b>	<b>20,991,840</b>	<b>20,733,370</b>	<b>(258,470)</b>
<b>Fund Balance - Ending</b>	<b>\$ 18,873,331</b>	<b>\$ 17,797,616</b>	<b>\$ 17,733,791</b>	<b>\$ (63,825)</b>

\* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Other than Capital Outlay Fund and Special Reserve for Post-Employment Benefits Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54, as well as adjustments made to accounts payable.

**SOLANA BEACH SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>June 30, 2018</u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 651,059
Interest on total OPEB liability	283,363
Benefits payments	<u>(202,200)</u>
Net change in total OPEB liability	732,222
Total OPEB liability - beginning	<u>7,784,246</u>
Total OPEB liability - ending	<u>\$ 8,516,468</u>
Covered payroll	\$ 23,581,000
District's total OPEB liability as a percentage of covered payroll	36.12%

See accompanying note to required supplementary information.

**SOLANA BEACH SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION  
LIABILITY - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.038%	0.040%	0.041%	0.040%
District's proportionate share of the net pension liability	\$ 35,052,670	\$ 32,209,670	\$ 27,443,782	\$ 23,104,397
State's proportionate share of the net pension liability associated with the District	20,737,033	18,339,090	14,514,696	13,951,433
Total	<u>\$ 55,789,703</u>	<u>\$ 50,548,760</u>	<u>\$ 41,958,478</u>	<u>\$ 37,055,830</u>
District's covered payroll	\$ 20,463,084	\$ 19,646,013	\$ 19,058,278	\$ 17,610,012
District's proportionate share of the net pension liability as a percentage of its covered payroll	171.3%	164.0%	144.0%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**SOLANA BEACH SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION  
LIABILITY - CALPERS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.064%	0.059%	0.062%	0.059%
District's proportionate share of the net pension liability	\$ 15,215,025	\$ 11,696,152	\$ 9,116,654	\$ 6,721,598
District's covered payroll	\$ 8,295,023	\$ 7,107,339	\$ 6,886,607	\$ 6,215,408
District's proportionate share of the net pension liability as a percentage of its covered payroll	183.4%	164.6%	132.4%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**SOLANA BEACH SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,963,083	\$ 2,459,763	\$ 2,101,616	\$ 1,690,830
Contributions in relation to the contractually required contribution*	(2,963,083)	(2,459,763)	(2,101,616)	(1,690,830)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 20,621,860	\$ 20,463,084	\$ 19,646,013	\$ 19,058,278
Contributions as a percentage of covered payroll	14.37%	12.02%	10.70%	8.87%

\*Amounts do not include on-behalf contributions

**SOLANA BEACH SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,040,516	\$ 933,284	\$ 661,845	\$ 810,611
Contributions in relation to the contractually required contribution	(1,040,516)	(933,284)	(661,845)	(810,611)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,400,157	\$ 8,295,023	\$ 7,107,339	\$ 6,886,607
Contributions as a percentage of covered payroll	12.39%	11.25%	9.31%	11.77%

See accompanying note to required supplementary information.

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

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Changes in Total OPEB Liability and Related Ratios**

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

**Schedule of the District's Proportionate Share of the Net Pension Liability**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

**Changes in Assumptions**

The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

**SOLANA BEACH SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued  
 FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 – PURPOSE OF SCHEDULES (continued)**

**Schedule of District Contributions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District’s statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District’s covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District’s covered payroll.

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

For the year ended June 30, 2018, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

	<b>Expenditures and Other Uses</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund			
Certificated salaries	\$ 20,931,471	\$ 21,696,024	\$ 764,553
Employee benefits	\$ 11,042,757	\$ 11,970,751	\$ 927,994
Services and other operating expenditures	\$ 5,615,509	\$ 5,824,228	\$ 208,719



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**SUPPLEMENTARY  
INFORMATION**

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

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 176,459
Title II, Part A, Teacher Quality	84.367	14341	64,186
Special Education Cluster [1]			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	396,983
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	33,542
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	25,489
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE3-4-5)	84.027A	13682	78,800
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	270
Subtotal Special Education Cluster			<u>535,084</u>
<b>Total U. S. Department of Education</b>			<u>775,729</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	163,775
USDA Commodities [2]	10.555	*	53,620
Subtotal Child Nutrition Cluster			<u>217,395</u>
<b>Total Federal Expenditures</b>			<u>\$ 993,124</u>

[1] - Major Program

[2] - In-Kind Contribution

\* - Pass-Through Entity Identifying Number not available or not applicable

**SOLANA BEACH SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<b>Second Period Report</b>	<b>Annual Report</b>
	<b>&lt;3E44341E&gt;</b>	<b>&lt;5DC5E532&gt;</b>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	1,549.90	1,553.20
Special Education - Nonpublic Schools	1.86	0.64
Total TK/K through Third	1,551.76	1,553.84
Fourth through Sixth		
Regular ADA	1,272.44	1,275.80
Special Education - Nonpublic Schools	-	0.28
Total Fourth through Sixth	1,272.44	1,276.08
TOTAL SCHOOL DISTRICT	2,824.20	2,829.92

**SOLANA BEACH SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2018**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>2017-18 Actual Minutes</b>	<b>Number of Days</b>	<b>Status</b>
Kindergarten	36,000	51,607	180	Complied
Grade 1	50,400	53,297	180	Complied
Grade 2	50,400	53,297	180	Complied
Grade 3	50,400	53,297	180	Complied
Grade 4	54,000	54,142	180	Complied
Grade 5	54,000	54,142	180	Complied
Grade 6	54,000	54,142	180	Complied

**SOLANA BEACH SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>2019 (Budget)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 46,193,979	\$ 45,213,110	\$ 44,436,438	\$ 42,797,736
Expenditures And Other Financing Uses	48,934,319	48,212,689	46,865,275	43,969,539
Net change in Fund Balance	\$ (2,740,340)	\$ (2,999,579)	\$ (2,428,837)	\$ (1,171,803)
Ending Fund Balance	\$ 14,993,450	\$ 17,733,791	\$ 20,991,841	\$ 23,420,678
Available Reserves*	\$ 1,468,030	\$ 1,446,381	\$ 18,089,893	\$ 5,602,678
Available Reserves As A Percentage Of Outgo	3.00%	3.00%	38.60%	12.74%
Long-term Debt	\$ 109,817,569	\$ 110,186,833	\$ 100,267,251	\$ 38,880,797
Average Daily Attendance At P-2	2,840	2,824	2,900	3,036

The General Fund balance has decreased by \$5,686,888 over the past two years. The fiscal year 2018-19 budget projects a further decrease of \$2,270,340. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in each of the past three years and anticipates incurring an operating deficit during the 2018-19 fiscal year. Total long-term obligations have increased by \$71,306,036 over the past two years.

Average daily attendance has decreased by 212 ADA over the past two years. An increase of 16 ADA is anticipated during the 2018-19 fiscal year.

\*Available reserves consist of all unassigned fund balance within the General Fund.

\*\* Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Other than Capital Outlay Fund and Special Reserve for Post-Employment Benefits Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54, as well as adjustments made to accounts payable.

**SOLANA BEACH SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<b>General Fund</b>	<b>Building Fund</b>	<b>Special Reserve Fund for Other Than Capital Outlay Projects</b>	<b>Special Reserve Fund for Postemployment Benefits</b>
June 30, 2018, annual financial and budget report fund balance	\$ 17,733,791	\$ 6,108,556	\$ 5,451,052	\$ 3,038,194
Adjustments and reclassifications:				
Increase (decrease) in total fund balances:				
Adjustments to accounts payable	258,471	1,699,402	-	-
Fund balance transfer (GASB 54)	8,489,246	-	(5,451,052)	(3,038,194)
Net adjustments and reclassifications	8,747,717	1,699,402	(5,451,052)	(3,038,194)
June 30, 2018, audited financial statement fund balance	\$ 26,481,508	\$ 7,807,958	\$ -	\$ -

See accompanying note to supplementary information.

**SOLANA BEACH SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
JUNE 30, 2018**

	Cafeteria Fund	Deferred Maintenance Fund	Foundation Special Revenue Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 13,595	\$ 21,536	\$ 950,288	\$ 504,620	\$ 6,215,387	\$ 7,141,781	\$ 14,847,207
Accounts receivable	52,487	135	207,133	14,925	30,380	-	305,060
Due from other funds	59,373	-	-	-	-	-	59,373
Stores inventory	9,806	-	-	-	-	-	9,806
<b>Total Assets</b>	<b>\$ 135,261</b>	<b>\$ 21,671</b>	<b>\$ 1,157,421</b>	<b>\$ 519,545</b>	<b>\$ 6,245,767</b>	<b>\$ 7,141,781</b>	<b>\$ 15,221,446</b>
<b>LIABILITIES</b>							
Accrued liabilities	\$ 64,438	\$ -	\$ 4,232	\$ 908	\$ 13,725	\$ -	\$ 83,303
Due to other funds	1,574	-	1,292	-	-	-	2,866
Unearned revenue	58,961	-	-	-	-	-	58,961
<b>Total Liabilities</b>	<b>124,973</b>	<b>-</b>	<b>5,524</b>	<b>908</b>	<b>13,725</b>	<b>-</b>	<b>145,130</b>
<b>FUND BALANCES</b>							
Non-spendable	10,256	-	-	-	-	-	10,256
Restricted	32	-	1,151,897	518,637	6,232,042	7,141,781	15,044,389
Committed	-	21,671	-	-	-	-	21,671
<b>Total Fund Balances</b>	<b>10,288</b>	<b>21,671</b>	<b>1,151,897</b>	<b>518,637</b>	<b>6,232,042</b>	<b>7,141,781</b>	<b>15,076,316</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 135,261</b>	<b>\$ 21,671</b>	<b>\$ 1,157,421</b>	<b>\$ 519,545</b>	<b>\$ 6,245,767</b>	<b>\$ 7,141,781</b>	<b>\$ 15,221,446</b>

See accompanying note to supplementary information.

**SOLANA BEACH SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018**

	Cafeteria Fund	Deferred Maintenance Fund	Foundation Special Revenue Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
<b>REVENUES</b>							
LCFF sources	\$ -	\$ 475,000	\$ -	\$ -	\$ -	\$ -	\$ 475,000
Other state sources	8,283	-	-	-	-	17,635	25,918
Other local sources	638,506	1,136	718,718	214,221	5,918,028	4,744,119	12,234,728
<b>Total Revenues</b>	<b>864,184</b>	<b>476,136</b>	<b>718,718</b>	<b>214,221</b>	<b>5,918,028</b>	<b>4,761,754</b>	<b>12,953,041</b>
<b>EXPENDITURES</b>							
Current							
Instruction	-	-	715,930	-	-	-	715,930
Instruction-related services							
School site administration	-	-	12,136	-	-	-	12,136
Pupil services							
Food services	1,072,463	-	-	-	-	-	1,072,463
General administration							
All other general administration	-	-	-	6,376	-	-	6,376
Plant services	-	326,295	581	317,711	55,708	-	700,295
Facilities acquisition and maintenance	-	168,173	22,153	102,342	1,097,396	-	1,390,064
Debt service							
Interest and other	-	-	-	-	-	1,398,628	1,398,628
<b>Total Expenditures</b>	<b>1,072,463</b>	<b>494,468</b>	<b>750,800</b>	<b>426,429</b>	<b>1,153,104</b>	<b>1,398,628</b>	<b>5,295,892</b>
<b>Excess (Deficiency) of Revenues</b>							
<b>Over Expenditures</b>	<b>(208,279)</b>	<b>(18,332)</b>	<b>(32,082)</b>	<b>(212,208)</b>	<b>4,764,924</b>	<b>3,363,126</b>	<b>7,657,149</b>
<b>Other Financing Sources</b>							
Transfers in	208,279	40,000	-	-	-	-	248,279
<b>Net Financing Sources</b>	<b>208,279</b>	<b>40,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>248,279</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>21,668</b>	<b>(32,082)</b>	<b>(212,208)</b>	<b>4,764,924</b>	<b>3,363,126</b>	<b>7,905,428</b>
<b>Fund Balance - Beginning, as Restated</b>	<b>10,288</b>	<b>3</b>	<b>1,183,979</b>	<b>730,845</b>	<b>1,467,118</b>	<b>3,778,655</b>	<b>7,170,888</b>
<b>Fund Balance - Ending</b>	<b>\$ 10,288</b>	<b>\$ 21,671</b>	<b>\$ 1,151,897</b>	<b>\$ 518,637</b>	<b>\$ 6,232,042</b>	<b>\$ 7,141,781</b>	<b>\$ 15,076,316</b>

See accompanying note to supplementary information.



**SOLANA BEACH SCHOOL DISTRICT  
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
 JUNE 30, 2018**

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The Solana Beach School District was established in 1887. The District boundaries include the City of Solana Beach and portions of the unincorporated area of San Diego County. There were no changes to the District’s boundaries during the year. The District operates one preschool and seven elementary schools.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Debra H. Schade, Ph.D.	President	2018
Julie Union	Vice President	2020
Holly Lewry	Clerk	2018
Vicki F. King, Esq.	Member	2018
Richard H. Leib, Esq.	Member	2020

**DISTRICT ADMINISTRATORS**

Terry Decker  
*Superintendent\**

Lisa Davis  
*Assistant Superintendent of Business Services*

Sabrina Lee  
*Assistant Superintendent, Instructional Services*

*\*Effective July 1, 2018, Jodee Brentlinger became the Superintendent*

**SOLANA BEACH SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The District has not elected to use to 10 percent de minimis indirect cost rate for the year ended June 30, 2018.

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

Average daily attendance (ADA) 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**

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 46208. During the year ended June 30, 2018, the District participated in the Longer Day incentive funding program. As of June 30, 2018, the District had not yet met its target funding.

**Schedule of Financial Trends and Analysis**

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

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

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

**Schedule of Charter Schools**

As of June 30, 2018, the District is not a sponsoring local educational agency for any charter schools.

**Combining Statements – Non-Major Funds**

These statements provide information on the District's non-major funds.

**Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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**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**

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Independent Auditors' Report

Governing Board  
Solana Beach School District  
Solana Beach, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Solana Beach School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Solana Beach School District's basic financial statements, and have issued our report thereon dated November 19, 2018.

**Internal Control over Financial Reporting**

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

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

SAN DIEGO  
LOS ANGELES  
SAN FRANCISCO/BAY AREA

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State Board of Accountancy*

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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2018-001)

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Solana Beach School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Solana Beach School District's Response to Findings**

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

### **Purpose of this Report**

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



San Diego, California  
November 19, 2018

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE

Independent Auditors' Report

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Governing Board  
Solana Beach School District  
Solana Beach, California

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

We have audited Solana Beach School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Solana Beach School District's major federal programs for the year ended June 30, 2018. Solana Beach School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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### *Opinion on Each Major Federal Program*

In our opinion, Solana Beach School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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

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

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

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

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

*Christy White Associates*

San Diego, California  
November 19, 2018

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Governing Board  
Solana Beach School District  
Solana Beach, California

### **Report on State Compliance**

We have audited Solana Beach School District's compliance with the types of compliance requirements described in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Solana Beach School District's state programs for the fiscal year ended June 30, 2018, as identified below.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Solana Beach School District's state 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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards 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 the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Solana Beach School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Solana Beach School District's compliance with those requirements.

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### *Opinion on State Compliance*

In our opinion, Solana Beach School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2018.

### *Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as items #2018-002. Our opinion on state compliance is not modified with respect to these matters.

Solana Beach School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Solana Beach School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### *Procedures Performed*

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

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios 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	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

*Procedures Performed (continued)*

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
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
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

*Christy White Associates*

San Diego, California  
November 19, 2018

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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**SOLANA BEACH SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
<u>84.027, 84.027A, 84.173, 84.173A</u>	<u>Special Education Cluster</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>750,000</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**SOLANA BEACH SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FIVE DIGIT CODE**

30000

**AB 3627 FINDING TYPE**

Internal Control

**FINDING #2018-001: INTERNAL CONTROLS - CASH RECIEPTS (30000)**

**Criteria:** The District should have strong internal control procedures implemented for cash receipting and collections at the District Office to ensure proper receipting and safeguarding of District funds. These internal control procedures should include timely deposits following the collection of proceeds received.

**Condition:** During our evaluation and testing internal control procedures related to cash receipting at the District level, we noted deficiencies in internal controls related to untimely deposits.

**Effect:** Deficiencies in internal controls related to cash receipting procedures could lead to inaccuracies or increase the risk of misappropriation of funds.

**Context:** We noted that seven (7) out of 25 cash receipts tested appear to be deposited in an untimely manner. These ten deposits were deposited over one to two months after the proceeds were first collected.

**Cause:** Clerical oversight as well as improper design of internal controls.

**Recommendation:** We recommend that all deposits are made in a timely manner following the collection of funds, no more than two weeks after the date of collection in order to properly safeguard District funds.

**District Response:** The District has implemented stronger controls within the Business Office, beginning in the Spring of 2018. A memo had gone out to school sites/departments at the beginning of the 2017-18 school year outlining the procedures of cash receipting and the timeline of sending deposits to the Business Office (No longer than 2 weeks from date of receipt of funds, Business Department should have deposit). A procedure within the Business Department that has been implemented in the spring of 2018 is making treasury deposits twice per month (previously was once per month). The Business Office is also making sure that once cash collection from sites/departments have been received, the funds are deposited on a weekly basis (armor truck pick up by Bank once per week). The Business Department is also looking into an online e-fund type program for parents to use instead of sending cash/checks to the classroom/school site. Utilization of this type of online program should greatly reduce the collection of cash/checks at schools and departments.

SOLANA BEACH SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018

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FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

*There were no audit findings or questioned costs related to federal awards for the year ended June 30, 2018.*

**SOLANA BEACH SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**FINDING #2018-002: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)**

**Criteria:** Students classified as Free or Reduced Priced Meal (FRPM) eligible, who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List report, must have supporting documentation that indicates the student was eligible for this designation. The unduplicated local control funding formula pupil count affects the percentage used as data in calculating Local Control Funding Formula (LCFF) apportionment. Auditors are required to verify compliance with California Education Code Section 42238.02(b)(3)(B)

**Condition:** One (1) out of four (4) students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as FRPM did not have proper supporting documentation to justify their designation. The student in question was selected for NSLP Income Verification, as performed by the District on an annual basis and was changed to “Paid” status as a result of noncompliance with verification requests. Upon further review of 100% of the NSLP Income Verification sample selected for 2017-18, we identified one additional student that was incorrectly classified.

**Cause:** The CALPADS reports were not updated in a timely manner to correct student changes in the 2017-18 year.

**Effect:** The District is not in compliance with State requirements.

*(continued on following page)*

**SOLANA BEACH SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

**FINDING #2018-002: UNDUPLICATED PUPIL COUNT (40000) (continued)**

**Questioned Cost:** \$572. This was determined by taking the difference between the District’s original total LCFF revenues and the LCFF revenues adjusted for the decreased in the unduplicated pupil count as calculated below:

<b>UPP Audit Adjustment</b>					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2				9,067
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2				1,561
3	Audit Adjustment - Number of Enrollment				-
4	Audit Adjustment - Number of Unduplicated Pupil Count				(2)
5	Revised Adjusted Enrollment				9,067
6	Revised Adjusted Unduplicated Pupil Count				1,559
7	UPP calculated as of P-2				0.1722
8	Revised UPP for audit finding				0.1719
9	<b>Charter Schools Only:</b> Determinative School District Concentration Cap				-
10	Revised UPP adjusted for Concentration Cap				<b>0.1719</b>
<b>LCFF Target Supplemental Grant Funding Audit Adjustment</b>		<b>TK/K-3</b>	<b>4-6</b>	<b>7-8</b>	<b>9-12</b>
9	Supplemental and Concentration Grant ADA	1,567.71	1,332.83	0.00	0.00
10	Adjusted Base Grant per ADA	\$7,941	\$7,301	\$7,518	\$8,939
11	Target Supplemental Grant Funding calculated as of P-2				\$763,885
12	Revised Target Supplemental Grant Funding for audit finding				\$762,554
13	Target Supplemental Grant Funding audit adjustment				<b>(\$1,331)</b>
<b>LCFF Target Concentration Grant Funding Audit Adjustment</b>					
14	Target Concentration Grant Funding calculated as of P-2				\$0
15	Revised Target Concentration Grant Funding for audit finding				\$0
16	Target Concentration Grant Funding audit adjustment				<b>\$0</b>
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target</b>					
18	Total Target Supplemental and Concentration audit adjustment				<b>(\$1,331)</b>
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap</b>					
19	Statewide Gap Funding Rate as of P-2				0.4296644273
20	Estimated Cost of Unduplicated Pupil Count audit adjustment				<b>(\$572)</b>

**Recommendation:** We recommend the District work to ensure that all changes in FRPM eligibility based on outcome of NSLP Income Verification are accurately reflected in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report following the completion of procedures and prior to the close of the fall amendment window.

**District Response:** Child Nutrition Services and the Technology Department will meet to update CALPADS reporting timelines. The coordination of our departments in updating and implementing these timelines will ensure that all changes in FRPM eligibility based on outcome of NSLP Income Verification are accurately reflected in the FRPM/English Learner/Foster Youth Student List Report.



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

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**FINDING #2017-001: ACCOUNTS PAYABLE ACCRUALS (30000)**

**Criteria:** Accrual accounting requires that expenditures be recorded in the period in which they are incurred. Internal controls should be implemented to ensure that accounting transactions are recorded in the proper period and follow proper accrual accounting standards.

**Condition:** During testing for unrecorded liabilities, we noted the following three expenditures for good provided and services completed prior to June 30, 2017 that should have been recorded as accrued liabilities in the 2016-17 fiscal year.

- General Fund: Apple Inc. invoice in the amount of \$258,471.
- Measure JJ Building Fund: McCarthy Building Companies, Inc. invoice in the amount of \$498,262.
- Measure JJ Building Fund: Balfour Beatty Construction invoice in the amount of \$1,201,140.

**Effect:** Transactions recorded in the improper accounting period led to misstatements of accounts payable liabilities in the amount of \$1,957,873. The related adjustments are presented in the Reconciliation of Annual Financial and Budget Report with Audited Financial Statements on page 67

**Context:** Three (3) out of 26 subsequent disbursements did not appear to be recorded in the proper accounting period.

**Cause:** Inadequate controls over recording of accounts payable during the year-end closing process.

**Recommendation:** We recommend that the District implement sufficient and appropriate internal control procedures to ensure that transactions are recorded in the proper accounting period.

**District Response:** The three invoices that should have been accrued for the 2016-17 fiscal year, were unfortunately paid in the 2017-18 fiscal year. Two of the three invoices had dates of 6/29 and 6/30, and unfortunately, the dates were not caught to accurately accrue the invoices. These should have been caught and were an oversight by the business department. In the future, the business department will have a second person look over the invoices that are being paid in June and July to check for dates that should be accurately reflected as an accrual.

**Current Status:** Implemented

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

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**FINDING #2017-002: INTERNAL CONTROLS - CASH RECIEPTS (30000)**

**Criteria:** The District should have strong internal control procedures implemented for cash receipting and collections at the District Office to ensure proper receipting and safeguarding of District funds. These internal control procedures should include timely deposits following the collection of proceeds received.

**Condition:** During our evaluation and testing internal control procedures related to cash receipting at the District level, we noted deficiencies in internal controls related to untimely deposits.

**Effect:** Deficiencies in internal controls related to cash receipting procedures could lead to inaccuracies or increase the risk of misappropriation of funds.

**Context:** We noted that ten (10) out of 25 cash receipts tested appear to be deposited in an untimely manner. These ten deposits were deposited over one to two months after the proceeds were first collected.

**Cause:** Clerical oversight as well as improper design of internal controls.

**Recommendation:** We recommend that all deposits are made in a timely manner following the collection of funds, no more than two weeks after the date of collection in order to properly safeguard District funds.

**District Response:** The Business Department is in the midst of re-writing Accounts Receivable Procedures/Controls. Accounts Receivable procedures should be complete by spring of 2018. At the beginning of the school year 2017-18 a memo went out to staff who collect funds indicating the procedure regarding acceptable time allowed from receipt of funds to transmitting those funds to the business office. A two-week time period is maximum time allowed. Business Office staff are to submit deposits to the bank on a weekly basis and minimally a treasury deposit will be done once a month, preferably twice a month. Business Office staff are to watch the dates of receipt of deposits and if those receipts exceed the two-week time period, then a memo will be sent out to site administrator indicating the staff who are in violation of procedures. If the same staff/site continues, then the Superintendent will be notified.

**Current Status:** Not implemented, see Finding #2018-001