

SAN BRUNO PARK SCHOOL DISTRICT

COUNTY OF SAN MATEO
SAN BRUNO, CALIFORNIA

AUDIT REPORT

JUNE 30, 2013



CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
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**SAN BRUNO PARK SCHOOL DISTRICT
SAN MATEO COUNTY**

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SAN MATEO COUNTY**

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FINANCIAL
SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
San Bruno Park School District
San Bruno, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Bruno Park School District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise San Bruno Park School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

San Bruno Park School District's 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13 (K-12 Audit Guide)*, prescribed by the California State Controller's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Bruno Park School District, as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise San Bruno Park School District's basic financial statements. The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the other information listed in the supplementary section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other schedules listed in the supplementary section of 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 combining and individual nonmajor fund financial statements and other schedules listed in the supplementary section of the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



The schedule of expenditures of federal awards has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

As discussed in Note 1 to the financial statements, the District adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2013 on our consideration of San Bruno Park School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Bruno Park School District's internal control over financial reporting and compliance.

C & A LLP

September 13, 2013
San Jose, California

Management's Discussion and Analysis

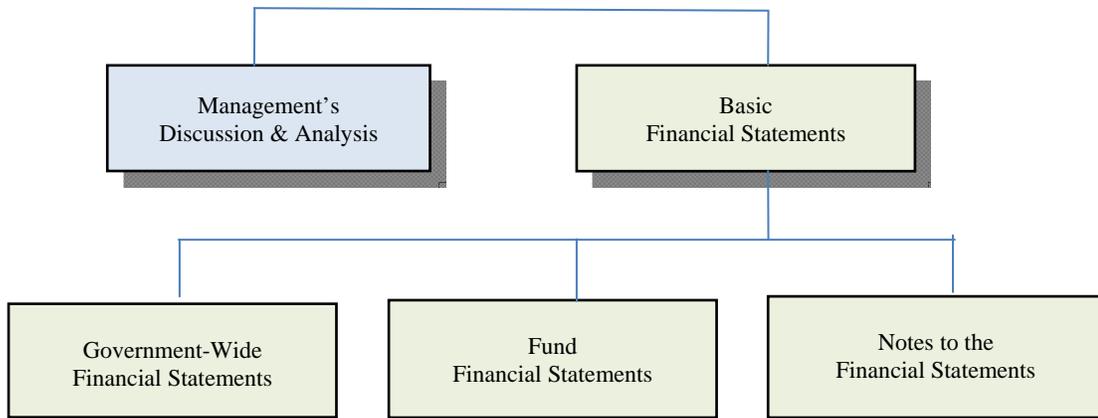
**SAN BRUNO PARK SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

Required Components of the Annual Financial Report



FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2013 were as follows:

- Total net position decreased by \$1,632,172 or 6.5% from June 30, 2012 to June 30, 2013.
- General revenues accounted for \$23,090,399 which is 86% of all revenues. Program specific revenues in the form of operating grants and contributions, and charges for services accounted for \$3,765,396 or 14% of total revenues of \$26,855,795.
- The District had \$27,996,945 in expenses, which was directly supported by program specific revenues as noted in the second bullet.
- Total fund balances of governmental funds (i.e. General Fund, Capital Facilities Fund, and Bond Fund) decreased by \$3,175,644, or 18.41% from June 30, 2012 to June 30, 2013.
- Among major funds, the General Fund had \$27,283,268 in revenues and \$30,357,959 in expenditures. The General Fund's fund balance decreased by \$3,074,691 from June 30, 2012 to June 30, 2013.

**SAN BRUNO PARK SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

USING THE ANNUAL REPORT

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management's Discussion and Analysis. The three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, government-wide and fund statements.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS - STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2012 - 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current

**SAN BRUNO PARK SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

property tax laws in California restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The District does not have any business type activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's major funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund, Capital Facilities Fund, Special Reserve for Capital Outlay Projects Fund, and Bond Interest and Redemption Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary funds

The district is the trustee, or fiduciary, for an expendable trust fund. All of the district's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district's fund and government-wide financial statements because the district cannot use these assets to finance its operations.

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Total assets of governmental activities decreased by \$4,515,225. Net capital assets decreased by \$2,630,736 because of current year depreciation. Unrestricted net position of the District, which does not have constraints from grantors, legal requirements, or legislation, decreased by \$2,959,177, and restricted net position increased by \$2,966,116.

**SAN BRUNO PARK SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Table 1 provides a summary of the District's net position as of June 30, 2013 as compared to June 30, 2012:

Table 1 - Summary of Net Position				
	2013	2012	Increase (Decrease)	Percent
Assets				
Current Assets	\$ 14,929,567	\$ 17,864,559	\$ (2,934,992)	-16.4%
Capital Assets	41,088,542	43,719,278	(2,630,736)	-6.0%
Other Noncurrent Assets	1,050,503	-	1,050,503	100.0%
Total Assets	57,068,612	61,583,837	(4,515,225)	-7.3%
Liabilities				
Current and Other Liabilities	998,698	1,409,310	(410,612)	-29.1%
Long-Term Liabilities	32,423,098	34,895,539	(2,472,441)	-7.1%
Total Liabilities	33,421,796	36,304,849	(2,883,053)	-7.9%
Net Position				
Net Investment in Capital Assets	8,781,706	10,420,817	(1,639,111)	-15.7%
Restricted	10,223,220	7,257,104	2,966,116	40.9%
Unrestricted	4,641,890	7,601,067	(2,959,177)	-38.9%
Total Net Position	\$ 23,646,816	\$ 25,278,988	\$ (1,632,172)	-6.5%

Table 2 shows the changes in net position from fiscal year 2011-12 to 2012-13:

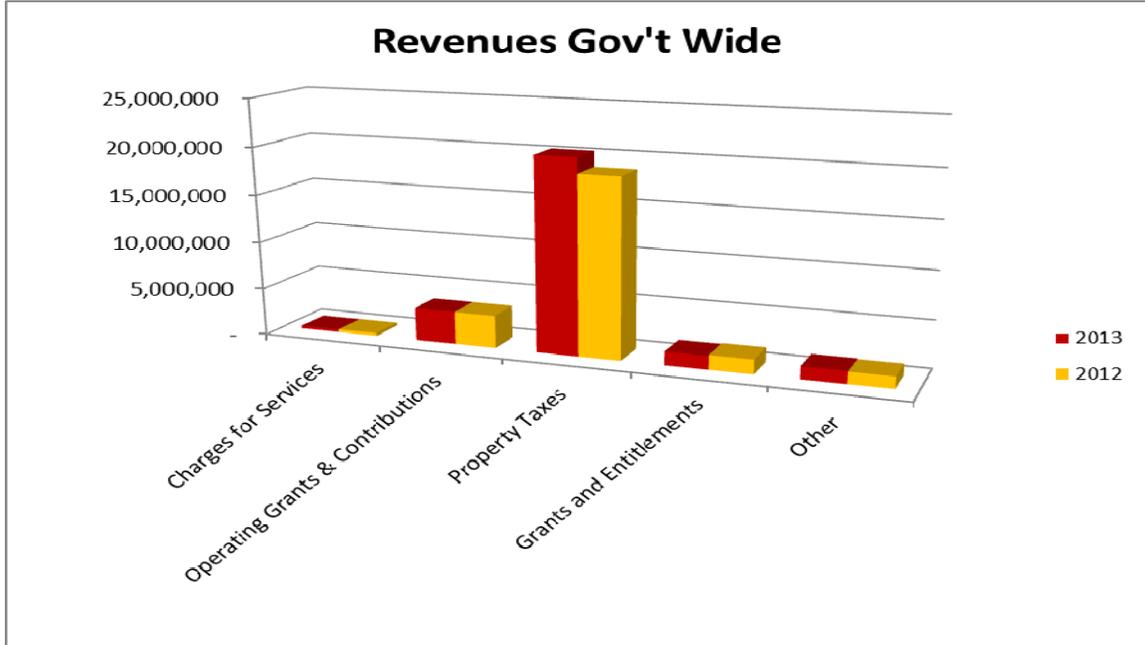
Table 2 - Change in Net Position				
	2013	2012	Increase (Decrease)	Percent
Revenues				
Program Revenues:				
Charges for Services	\$ 297,105	\$ 312,530	\$ (15,425)	-4.9%
Operating Grants and Contributions	3,468,291	3,454,451	13,840	0.4%
General Revenues:				
Property Taxes	20,317,568	18,692,952	1,624,616	8.7%
Grants and Entitlements - Unrestricted	1,449,829	1,539,928	(90,099)	-5.9%
Other	1,323,002	1,246,837	76,165	6.1%
Total Revenues	26,855,795	25,246,698	1,609,097	6.4%
Program Expenses				
Instruction	15,377,424	15,379,226	(1,802)	0.0%
Instruction-Related Services	3,099,214	2,731,695	367,519	13.5%
Pupil Services	2,052,675	1,729,057	323,618	18.7%
General Administration	1,564,921	1,446,236	118,685	8.2%
Plant Services	2,419,865	2,254,250	165,615	7.3%
Facility Acquisition and Construction	151,725	-	151,725	100.0%
Ancillary Services	213,856	218,968	(5,112)	-2.3%
Other Educational Programs	1,858,825	1,745,384	113,441	100.0%
Interest and Fiscal Charges	1,258,440	2,266,544	(1,008,104)	-44.5%
Total Expenses	27,996,945	27,771,360	225,585	0.8%
Change in Net Position	(1,141,150)	(2,524,662)	1,383,512	-54.8%
Prior Period Restatement	(491,022)	-	(491,022)	100.0%
Change in Net Position Including Restatement	\$ (1,632,172)	\$ (2,524,662)	\$ 892,490	-35.4%

**SAN BRUNO PARK SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

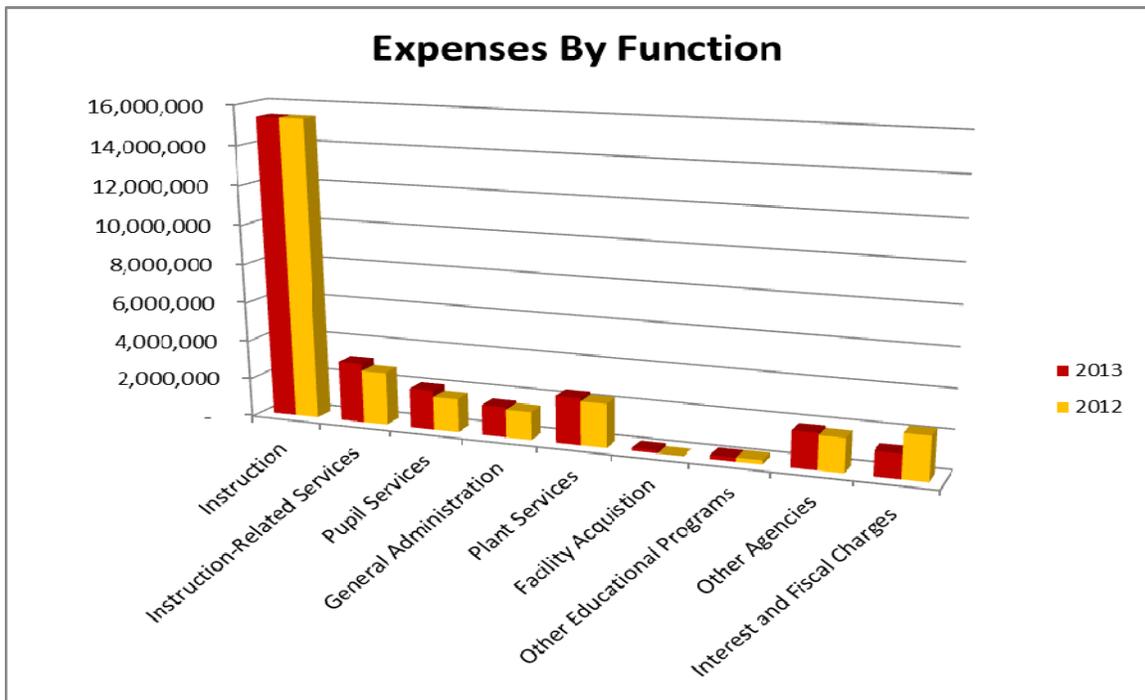
Property taxes comprised 75.7% of District revenues and direct instruction costs comprised 54.9% of District expenses for fiscal year 2012-13. These percentages are consistent with 2011-12.

Total revenues increased by 6.4% and total expenses decreased by 0.8% for fiscal year 2012-13.

The following is a summary of government-wide revenues for the fiscal years ended June 30, 2012 and 2013:



The following is a summary of expenses by function for the fiscal years ended June 30, 2012 and 2013:



**SAN BRUNO PARK SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

GOVERNMENTAL ACTIVITIES

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the net cost of services as compared to the prior fiscal year. That is, it identifies the cost of these services supported by general revenues for the government-wide statements (not the General Fund).

Table 3 - Net Cost of Services				
Function	2013	2012	Increase (Decrease)	Percent
Instruction	\$ 13,924,929	\$ 13,460,535	\$ 464,394	3.5%
Instruction-Related Services	2,811,338	2,384,715	426,623	17.9%
Pupil Services	1,153,838	775,610	378,228	48.8%
General Administration	1,442,734	1,339,904	102,830	7.7%
Plant Services	2,419,044	2,254,250	164,794	7.3%
Facilities Acquisition and Construction	151,725	-	151,725	100.0%
Other Educational Programs	1,069,501	1,522,821	(453,320)	100.0%
Interest and Fiscal Charges	1,258,440	2,266,544	(1,008,104)	-44.5%
Total Net Cost of Services	\$ 24,231,549	\$ 24,004,379	\$ 227,170	0.9%

Direct Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupil Services and Instruction-Related Services include the activities involved with assisting staff with the content and process of teaching to pupils.

General Administration includes the costs for the Board of Trustees, administration, fiscal and business services and other expenses associated with administrative and financial supervision of the District.

Plant Services includes the operation and maintenance of plant activities, which involve keeping the school grounds, buildings, and equipment in an effective working condition.

Interest and Fiscal Charges involve the transactions associated with the payment of interest and other related charges to debt of the District.

The dependence upon tax and local revenues is apparent, 82.5% of the District's activities are supported through taxes, grants and entitlements, and other general revenues. The community, as a whole, is the primary support for the District.

THE DISTRICT'S FUNDS

The District's governmental funds report a combined fund balance of \$14,077,320, which is a decrease of \$3,175,644 from last year's total.

**SAN BRUNO PARK SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

Table 4 - Change in Fund Balances			
Funds	2013	2012	Increase (Decrease)
General Fund	\$ 7,346,891	\$ 10,421,582	\$ (3,074,691)
Child Development Fund	26,228	25,723	505
Cafeteria Fund	352,379	287,633	64,746
Deferred Maintenance Fund	256,757	266,731	(9,974)
Building Fund	57,265	55,662	1,603
Capital Facilities Fund	384,385	601,059	(216,674)
Special Reserve Fund for Capital Outlay Projects	2,522,033	2,682,353	(160,320)
Bond Interest & Redemption Fund	3,131,382	2,912,221	219,161
Total Governmental Fund Balances	\$ 14,077,320	\$ 17,252,964	\$ (3,175,644)

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and in the modified accrual basis of accounting.

During the course of the 2012-13 fiscal year, the District revised its General Fund budget twice, at 1st Interim and 2nd interim, which resulted in an increase in budgeted expenditures of \$5,021,896 from the original to final budget.

For the General Fund, the final budget basis revenue and other financing sources estimate was \$22,840,010. The original budgeted estimate was \$19,142,910.

CAPITAL ASSETS

At the end of the fiscal year 2013, the District had \$61,473,184 invested in land, buildings, furniture and equipment, and vehicles located at the District's school sites.

Table 5 shows June 30, 2013 balances as compared to June 30, 2012.

Table 5 - Summary of Capital Assets Net of Depreciation			
Capital Asset	2013	2012	Percentage Change
	Net Capital Asset	Net Capital Asset	
Land	\$ 598,612	\$ 598,612	0.0%
Site Improvements	15,543,800	16,713,540	-7.0%
Buildings and Improvements	24,280,707	25,102,677	-3.3%
Furniture and Equipment	665,423	813,427	-18.2%
Work-in-Progress	-	491,022	-100.0%
Totals	\$ 41,088,542	\$ 43,719,278	-6.0%

**SAN BRUNO PARK SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Overall capital assets decreased by 6% from fiscal year 2012 to fiscal year 2013 because of \$2,421,635 in current depreciation and \$491,022 in adjustments to work-in-progress, net of \$281,921 in capital asset additions.

LONG TERM DEBT

Table 6 summarizes the percent changes in Long-term Debt over the past two years.

Table 6 - Long-term Debt			
Type of Debt	2013	2012	Percentage Change
General obligation bonds	\$ 27,286,836	\$ 27,955,881	-2.4%
Lease Revenue Bonds	5,020,000	5,310,000	-5.5%
Capital Leases	-	32,582	-100.0%
Net OPEB obligation	-	1,480,173	-100.0%
Compensated absences	116,262	116,903	-0.5%
Total Debt	\$ 32,423,098	\$ 34,895,539	-7.1%

FACTORS BEARING ON THE DISTRICT'S FUTURE

Due to changes in State funding, the District will potentially increase revenue based on the target LCFF. However, the new funding model includes only statutory funding requirements for cost of living adjustments and fluctuates according to State revenue. With an eight year planned implementation of the LCFF, the State revenue is likely to fluctuate significantly from current projections and could cause an operating deficit for the District. The District has adequate reserves to fund short-term fluctuations, but must maintain significantly higher reserves in order to address potential long-term downturns in State revenue.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Steven Eichman, Chief Business Officer, San Bruno Park School District, 500 Acacia Avenue, San Bruno, CA 94066, (650) 624-3101.

Basic Financial Statements

SAN BRUNO PARK SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
Assets	
Current assets:	
Cash and investments	\$ 13,622,265
Accounts receivable	307,912
Due from grantor government	988,463
Stores inventories	10,927
Total current assets	14,929,567
Noncurrent assets:	
Net OPEB Asset	1,050,503
Capital assets - net	41,088,542
Total noncurrent assets	42,139,045
Total Assets	\$ 57,068,612
Liabilities	
Current liabilities:	
Accounts payable	\$ 841,871
Unearned revenue	10,376
Accrued interest	146,451
Total current liabilities	998,698
Long-term liabilities:	
Due within one year	3,435,131
Due after one year	28,987,967
Total long-term liabilities	32,423,098
Total Liabilities	\$ 33,421,796
Net Position	
Net investment in capital assets	\$ 8,781,706
Restricted for:	
Capital projects	2,964,957
Debt service	3,131,382
Cafeteria Programs	334,597
Educational programs	3,792,284
Unrestricted	4,641,890
Total Net Position	\$ 23,646,816

The notes to the financial statements are an integral part of this statement.

**SAN BRUNO PARK SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 15,377,424	\$ -	\$ 1,452,495	\$ (13,924,929)
Instruction-related services:				
Supervision of instruction	192,527	-	101,192	(91,335)
Instruction library, media and technology	502,415	-	30,195	(472,220)
School site administration	2,404,272	-	156,489	(2,247,783)
Pupil services:				
Home-to-school transportation	437,770	-	743	(437,027)
Food services	756,611	284,420	532,216	60,025
All other pupil services	858,294	-	81,458	(776,836)
General administration:				
All other general administration	1,564,921	12,685	109,502	(1,442,734)
Plant services	2,419,865	-	821	(2,419,044)
Facilities acquisition and construction	151,725	-	-	(151,725)
Ancillary Services	213,856	-	213,856	-
Other educational programs	1,858,825	-	789,324	(1,069,501)
Interest on long-term debt	1,258,440	-	-	(1,258,440)
Total governmental activities	<u>\$ 27,996,945</u>	<u>\$ 297,105</u>	<u>\$ 3,468,291</u>	<u>(24,231,549)</u>
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				17,691,123
Taxes levied for debt service				2,356,575
Taxes levied for other specific purposes				269,870
Federal and state aid non restricted to specific purposes				1,449,829
Interest and investment earnings				142,637
Miscellaneous				1,180,365
Total general revenues				<u>23,090,399</u>
Change in net position				<u>(1,141,150)</u>
Net position beginning				25,278,988
Prior period adjustment - overstated work-in-progress				(491,022)
Net position beginning - adjusted				<u>24,787,966</u>
Net position ending				<u>\$ 23,646,816</u>

The notes to basic financial statements are an integral part of this statement.

**SAN BRUNO PARK SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 6,789,536	\$ 624,209	\$ 2,455,034	\$ 3,127,061	\$ 626,425	\$ 13,622,265
Accounts receivable	290,302	948	3,748	4,321	8,593	307,912
Due from grantor government	812,783	-	-	-	175,680	988,463
Due from other funds	51,347	-	70,000	-	-	121,347
Prepaid items and inventory	-	-	-	-	10,927	10,927
Total Assets	\$ 7,943,968	\$ 625,157	\$ 2,528,782	\$ 3,131,382	\$ 821,625	\$ 15,050,914
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 586,701	\$ 240,772	\$ 6,749	\$ -	\$ 7,649	\$ 841,871
Due to other funds	-	-	-	-	121,347	121,347
Unearned revenue	10,376	-	-	-	-	10,376
Total Liabilities	597,077	240,772	6,749	-	128,996	973,594
Fund balances:						
Nonspendable:						
Revolving fund	500	-	-	-	2,000	2,500
Stores inventory	-	-	-	-	10,927	10,927
Restricted for:						
Cafeteria programs	-	-	-	-	334,597	334,597
Capital projects	-	384,385	-	-	53,684	438,069
Educational programs	428,716	-	-	-	26,228	454,944
Debt service	-	-	-	3,131,382	-	3,131,382
Assigned for:						
Capital projects	-	-	2,522,033	-	4,855	2,526,888
Educational programs	3,337,340	-	-	-	-	3,337,340
Other postemployment benefits	1,972,748	-	-	-	-	1,972,748
Site repairs	-	-	-	-	256,757	256,757
Unassigned:						
Economic uncertainties	690,449	-	-	-	-	690,449
Unappropriated	917,138	-	-	-	3,581	920,719
Total Fund Balances	7,346,891	384,385	2,522,033	3,131,382	692,629	14,077,320
Total Liabilities and Fund Balances	\$ 7,943,968	\$ 625,157	\$ 2,528,782	\$ 3,131,382	\$ 821,625	\$ 15,050,914

The notes to basic financial statements are an integral part of this statement.

**SAN BRUNO PARK SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total fund balances - governmental funds		\$ 14,077,320
Amounts reported in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital assets at cost	\$ 61,473,184	
Accumulated depreciation	<u>(20,384,642)</u>	41,088,542
Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the governmental funds.		
		(146,451)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:		
General obligation bonds	\$ 27,286,836	
Lease revenue bonds	5,020,000	
Compensated absences (vacation)	<u>116,262</u>	(32,423,098)
Long-term assets such as net Other Postemployment Benefits are not currently available resources and are not recorded in the funds but are included as assets in the government-wide Statement of Net Position.		
		<u>1,050,503</u>
Total net position - governmental activities		<u><u>\$ 23,646,816</u></u>

The notes to basic financial statements are an integral part of this statement.

SAN BRUNO PARK SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Revenue limit sources	\$ 18,120,339	\$ -	\$ -	\$ -	\$ -	\$ 18,120,339
Federal revenue	1,218,759	-	-	-	516,382	1,735,141
Other state	1,526,626	-	-	16,505	616,680	2,159,811
Other local	2,074,542	41,443	52,140	2,359,881	312,498	4,840,504
Total revenues	22,940,266	41,443	52,140	2,376,386	1,445,560	26,855,795
Expenditures:						
Instruction	12,975,813	-	-	-	362,514	13,338,327
Instruction-related services:						
Supervision of instruction	188,569	-	-	-	3,958	192,527
Instruction library, media and technology	502,415	-	-	-	-	502,415
School site administration	1,779,102	-	-	-	107,911	1,887,013
Pupil services:						
Home-to-school transportation	437,770	-	-	-	-	437,770
Food services	-	-	-	-	756,611	756,611
All other pupil services	840,747	-	-	-	-	840,747
General administration:						
All other general administration	1,276,240	238,528	-	-	50,153	1,564,921
Plant services	2,044,592	-	-	-	58,860	2,103,452
Facilities acquisition and construction	152,924	19,589	212,460	-	48,673	433,646
Ancillary services	213,856	-	-	-	-	213,856
Payments to other agencies	1,858,825	-	-	-	-	1,858,825
Debt service:						
Principal	322,582	-	-	2,075,504	-	2,398,086
Interest and other costs	421,522	-	-	81,721	-	503,243
Total expenditures	23,014,957	258,117	212,460	2,157,225	1,388,680	27,031,439
Excess (deficiency) of revenues over (under) expenditures	(74,691)	(216,674)	(160,320)	219,161	56,880	(175,644)
Other financing sources (uses):						
Payments to other post employment benefits trust fund	(3,000,000)	-	-	-	-	(3,000,000)
Transfers in	4,343,002	-	-	-	-	4,343,002
Transfers out	(4,343,002)	-	-	-	-	(4,343,002)
Total other financing sources (uses)	(3,000,000)	-	-	-	-	(3,000,000)
Net changes in fund balances	(3,074,691)	(216,674)	(160,320)	219,161	56,880	(3,175,644)
Fund balances beginning	10,421,582	601,059	2,682,353	2,912,221	635,749	17,252,964
Fund balances ending	\$ 7,346,891	\$ 384,385	\$ 2,522,033	\$ 3,131,382	\$ 692,629	\$ 14,077,320

The notes to basic financial statements are an integral part of this statement.

**SAN BRUNO PARK SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Total net change in fund balances - governmental funds \$ (3,175,644)

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	\$ 281,921	
Depreciation expense	<u>(2,421,635)</u>	(2,139,714)

Accreted interest on capital appreciation bonds is not recorded in the governmental funds but is required to be recorded under the accrual basis of accounting in the government wide financial statements. (1,406,459)

The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Repayment of bond principal	\$ 2,365,504	
Repayment of lease obligations	<u>32,582</u>	2,398,086

In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation used exceeded the amounts earned by: 641

In the statement of activities, the net other postemployment benefits obligation (asset) is measured by deducting the amount contributed to the plan from the annual required contribution as actuarially determined. In governmental funds, this obligation (asset) is not recorded because it is not paid with current financial resources and only current contributions are expended. The net effect of these differences in the treatment of OPEB and related items is as follows:

Contributions to OPEB trust	\$ 3,000,000	
Retiree premiums paid	312,161	
Actuarially determined annual OPEB cost	<u>(781,483)</u>	2,530,678

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 651,262

Changes in net position of governmental activities \$ (1,141,150)

The notes to basic financial statements are an integral part of this statement.

**SAN BRUNO PARK SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	<u>Retiree Benefit Expendable Trust Fund</u>	<u>Student Body Agency Fund Total</u>
Assets		
Cash with fiscal agent	\$ 3,008,218	\$ -
Cash on hand and in banks	<u>-</u>	<u>7,802</u>
Total Assets	<u><u>\$ 3,008,218</u></u>	<u><u>\$ 7,802</u></u>
Liabilities		
Due to student groups	<u>\$ -</u>	<u>\$ 7,802</u>
Total Liabilities	<u><u>\$ -</u></u>	<u><u>\$ 7,802</u></u>
Net Position		
Restricted	<u>\$ 3,008,218</u>	<u>\$ -</u>
Total Net Position	<u><u>\$ 3,008,218</u></u>	<u><u>\$ -</u></u>

The notes to basic financial statements are an integral part of this statement.

**SAN BRUNO PARK SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Retiree Benefit Expendable Trust Fund</u>
Additions	
Other Local	\$ 3,022,039
Deductions	
Services and other operating expenditures	<u>13,821</u>
Changes in net position	3,008,218
Net position beginning	<u>-</u>
Net position ending	<u><u>\$ 3,008,218</u></u>

The notes to basic financial statements are an integral part of this statement.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

The San Bruno Park 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).

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District’s combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit’s reporting entity for general purpose financial reports is the ability of the governmental unit’s elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit’s power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2013, the District does not have any component units and is not a component unit of any other reporting entity.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of Net Position and the statement of Activities) report information on all of the non-fiduciary activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include the reconciliation with brief explanations to better identify the relationship between the government wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

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. For the District, "available" means collectible within the current period or within 60 days after year-end.

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 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.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Deferred Outflows/Deferred Inflows:

Deferred outflows of resources are consumptions of net assets by the government that are applicable to a future reporting period. For example, prepaid items and deferred charges.

Deferred inflows of resources are acquisitions of net assets by the government that are applicable to a future reporting period. For example, unearned revenue and advance collections.

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows of resources from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources from 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.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, and fiduciary funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund and includes transactions accounted for in the Special Reserve Fund for Other Than Capital Outlay and Special Reserve Fund for Postemployment Benefits.

The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

The *Special Reserve Fund for Capital Outlay Projects* exists primarily for the accumulation of General Fund monies for capital outlay purposes.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The *Bond Interest and Redemption Fund* is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the interest and redemption of principal of the funding of general obligation bonds issued by the District.

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains three non-major special revenue funds:

- The Child Development Fund is used to account for resources committed to child development programs maintained by the District.
- The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's food service programs.
- The Deferred Maintenance Fund is used for the purpose of major repair or replacement of district property.

Capital Projects Funds are used to account for resources restricted, committed or assigned for capital outlays. The District maintains one non-major capital projects fund:

- Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

Fiduciary Funds:

Expendable Trust Funds are used to account for donations which have the stipulation that principal be expended for a specific purpose. The following expendable trust fund is utilized:

- Retiree Benefits Fund is used to account for the District's defined benefit postretirement health plan.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the student body accounts. The student body funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplementary Information.

SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

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

H. Assets, Liabilities, and Equity

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation except for non-interest bearing accounts which are completely insured.

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

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

2. Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method, in that inventory acquisitions are initially recorded as expenditures. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District's central warehouse inventory is valued at a moving average cost and consists of expendable supplies held for consumption. The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

3. Capital Assets

Capital assets, which include sites, improvement of sites, buildings and improvements, equipment, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or donation, in which case they are recorded at estimated market value at the date of receipt. The District utilizes a capitalization threshold of \$5,000.

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Costs of major improvements and

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

rehabilitation of buildings are capitalized. Repair and maintenance costs are charged to expense when incurred. Equipment disposed of, or no longer required for its existing use, is removed from the records at actual or estimated historical cost, net of accumulated depreciation.

All capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvement of sites	10-25
Furniture and fixtures	20
Buildings and improvements	25-50
Machinery and equipment	5-15
Vehicles	8-15

4. Compensated Absences

All vacation pay plus related payroll tax is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires. At retirement, each classified member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Issuance costs are expensed in the period incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

6. Fund Balance Classifications

The District maintains a minimum unassigned fund balance of not less than 3 percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The District believes a reserve of this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues to which basic aide districts are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- *Nonspendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* fund balances includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.
- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Superintendent and the Assistant Superintendent of Business Services.
- *Unassigned* fund balance includes positive amounts within the general fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

In order to comply with the requirements of GASB 54, the District has combined transactions in the Special Reserve Fund for Other than Capital Outlay Projects (Special Reserve Fund) and the Special reserve fund for Other Postemployment Benefits (OPEB Fund) with the General Fund. The Special Reserve Fund and the OPEB Fund do not meet the definition of a special revenue fund as defined by GASB 54.

7. Net Position

Net position represents the difference between assets, deferred outflows of resources, 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. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Capital Projects restrictions will be used for the acquisition and construction of capital facilities.

Debt Service restrictions reflect the cash balances in the debt service funds that are restricted for debt service payments by debt covenants.

**SAN BRUNO PARK SCHOOL DISTRICT
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Cafeteria Program restrictions reflect the cash balances in the Cafeteria fund that are restricted for food services and child nutrition programs.

Educational Program restrictions reflect the amounts to be expended for federal and state funded educational programs.

Unrestricted net position reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

8. Revenue Limit/Basic Aide/Property Taxes

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on August 31 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. When the District's property taxes exceed the District's entitlement, the District becomes a basic aide school district and does not receive a state apportionment.

The District's base revenue limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

9. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District has joined together with other school districts in the County to form the San Mateo County Schools Insurance Group ("SMCSIG") public entity risk pool. The District pays an annual premium for its property and casualty, workers' compensation, and liability insurance coverage. The Joint Powers Agreements provide that SMCSIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels.

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There were no significant reductions in insurance coverage from coverage in the prior year and no insurance settlement exceeding insurance coverage.

10. Accounting Estimates

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

11. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

I. New Accounting Pronouncements

Summary of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (Issued 06/11)*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of Net Position by the government that is applicable to a future reporting period, and an acquisition of Net Position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement were effective as of July 1, 2012.

Summary of Statement No. 65, *Items Previously Reported as Assets and Liabilities (Issued 03/12)*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

J. Upcoming Accounting and Reporting Changes

Summary of Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25 (Issued 06/12)*. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension

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arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement also details the note disclosure requirements for defined contribution pension plans administered through trusts that meet the identified criteria. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged. The determination of the impact on the Entity's financial statements from the implementation of this standard is pending as of the issuance date of this report.

Summary of Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 (Issued 06/12). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged. The determination of the impact on the Entity's financial statements from the implementation of this standard is pending as of the issuance date of this report.

NOTE 2 - CASH AND INVESTMENTS

Summary of Deposits

A summary of deposits as of June 30, 2013, is as follows:

Deposit or Investment	Carrying Amount	Fair Value	Investment Rating
<i>Government-Wide Statements:</i>			
Cash in county treasury investment pool	\$ 13,538,060	\$ 13,489,729	AA
Cash in banks	100	100	n/a
Cash in revolving fund	2,500	2,500	n/a
Cash with fiscal agent	81,605	81,605	n/a
Total Government-Wide Cash and Investments	13,622,265	13,573,934	
<i>Fiduciary Funds:</i>			
Cash in banks	7,802	7,802	n/a
Cash with fiscal agent	3,008,218	3,008,218	n/a
Total Cash and Investments	\$ 16,638,285	\$ 16,589,954	

Cash in banks and revolving funds

Except for fully insured non-interest bearing accounts, cash balances in banks and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2013, the bank balance of the District's accounts with banks was \$33,952, which was fully insured by FDIC.

**SAN BRUNO PARK SCHOOL DISTRICT
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Cash in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of 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 Fiscal Agent

The District contributes cash to a trust administered by Public Agency Retirement Services, trust administrator for the GASB 45 Solutions program. The cash deposited into the trust is invested for the purpose of funding other post-employment benefits for retirees of the District.

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; and collateralized mortgage obligations.

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

1. 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 the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District keeps cash in the San Mateo County Investment Pool which had a fair value of approximately \$951 million and an amortized book value of \$955 million.

2. Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the San Mateo County Investment Pool is governed by the County's general investment policy. The investment with the San Mateo County Investment Pool is rated at least Aa1 by Moody's Investor Service.

3. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a 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 (unless so waived by the governmental unit). 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.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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4. Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2013:

Receivables	General Fund	Capital Facilities Fund	Special Reserve for Capital Outlay	Bond Interest Redemption	Nonmajor Funds	Total
Federal Government:						
Special Ed.: IDEA	\$ 233,870	\$ -	\$ -	\$ -	\$ -	\$ 233,870
Child Nutrition	-	-	-	-	100,395	100,395
Other Federal Resources	16,105	-	-	-	-	16,105
State Government:						
Lottery	139,281	-	-	-	-	139,281
Lottery: Instructional Materials	66,790	-	-	-	-	66,790
After School Education and Safety	16,267	-	-	-	-	16,267
Child Development	-	-	-	-	82,943	82,943
Special Education	112,190	-	-	-	-	112,190
Local Government:						
Other Local Resources	13,226	-	-	-	-	13,226
Interest	-	-	-	4,321	-	4,321
Other Resources	505,356	948	3,748	-	935	510,987
Total Receivables	1,103,085	948	3,748	4,321	184,273	1,296,375
Less: Due from Other Governments	812,783	-	-	-	175,680	988,463
Total Accounts Receivable	\$ 290,302	\$ 948	\$ 3,748	\$ 4,321	\$ 8,593	\$ 307,912

NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To)

As of June 30, 2013, interfund payables and receivables consisted of the following:

Due To (Payable In)	Due From (Receivable In)		
	General Fund	Special Reserve Fund for Capital Outlay Projects	Total Due To
Nonmajor Funds	\$ 51,347	\$ 70,000	\$ 121,347
Total Due From	\$ 51,347	\$ 70,000	\$ 121,347

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenues to funds through which the resources are to be expended. Interfund transfers for fiscal year 2012-13 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount
General Fund	Special Reserve Fund other than Capital Outlay ⁽¹⁾	\$ 980,000 1
General Fund	Special Reserve Fund for Post Employment Benefits ⁽¹⁾	3,363,002 2
		<u>\$ 4,343,002</u>

1 To cover deficit in general fund
2 To reimburse General Fund for cash transfers to irrevocable trust and payments of post employment benefits

⁽¹⁾ The Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Post Employment Benefits have been combined with the General Fund for reporting purposes as required by GASB 54.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2013, is shown below:

Capital Assets	Balance July 01, 2012	Additions	Adjustments & Deletions	Balance June 30, 2013
Land - nondepreciable	\$ 598,612	\$ -	\$ -	\$ 598,612
Site Improvements	30,272,447	126,279	-	30,398,726
Buildings and improvements	26,882,871	131,890	-	27,014,761
Furniture and equipment	3,437,333	23,752	-	3,461,085
Work-in-progress	491,022	-	491,022	-
Total capital assets	61,682,285	281,921	491,022	61,473,184
Less accumulated depreciation for:				
Site Improvements	13,558,907	1,296,019	-	14,854,926
Buildings and improvements	1,780,194	953,860	-	2,734,054
Furniture and equipment	2,623,906	171,756	-	2,795,662
Total accumulated depreciation	17,963,007	2,421,635	-	20,384,642
Total capital assets - net depreciation	\$ 43,719,278	\$ (2,139,714)	\$ 491,022	\$ 41,088,542

Depreciation expense was charged to governmental activities as follows:	
Instruction	\$ 1,570,416
Instruction-related services	517,259
Pupil services	17,547
Plant services	316,413
Total depreciation expense	\$ 2,421,635

A prior period adjustment of \$491,022 was recorded to adjust the beginning work-in-progress balance.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 6 - SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in long-term debt for the year ended June 30, 2013:

Long-term Debt	Balance July 01, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
General Obligation Bonds	\$ 27,955,881	\$ 1,406,459	\$ 2,075,504	\$ 27,286,836	\$ 3,140,131
Lease Revenue Bonds	5,310,000	-	290,000	5,020,000	295,000
Capital Leases	32,582	-	32,582	-	-
Compensated Absences	116,903	-	641	116,262	-
Total Long-term Debt	\$ 33,415,366	\$ 1,406,459	\$ 2,398,727	\$ 32,423,098	\$ 3,435,131

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund from local revenues. The accrued vacation and other postemployment benefits will be paid by the fund for which the employee worked.

NOTE 7 - BONDS

General Obligation Bonds

Through elections, the District received authorization to issue general obligation bonds that requires the county to levy annual ad valorem taxes for the payment of interest and principal on the bonds. Bond proceeds are used to build additional classrooms and to perform repairs and renovations.

In April 1998, the voters of the District authorized the District to sell \$30,000,000 of General Obligation Bonds. On August 1, 1998, the District sold \$4,621,060 of capital appreciation serial bonds. On August 1, 2000, the District sold \$3,700,000 of current interest serial bonds and \$4,299,644 of capital appreciation serial bonds. On August 1, 2000, the District sold \$8,750,000 of General Obligation refunding bonds and \$878,674 of capital appreciation serial bonds. On August 1, 2002, the District sold \$3,040,000 of current interest serial bonds and \$3,844,190 of capital appreciation bonds. The bonds represent general obligation of the District payable solely from the proceeds of an Ad Valorem property tax.

Lease Revenue Bonds

On July 15, 2011, the District issued Lease Revenue Bonds, Series 2011 (the "Bonds") totaling \$5,310,000. Pursuant to the terms of a Tax Certificate, executed by the San Bruno Park School Facilities Financing Authority (the "Issuer") and dated the date of issuance of the Bonds, the Bonds have been irrevocably designated by the Issuer as "New Clean Renewable Energy Bonds," in accordance with Sections 54C of the Internal Revenue Code of 1986. The bonds were issued to provide funding for the construction of solar energy projects at some of the District's school facilities. The Bonds bear interest at 5.37%, mature through July 15, 2027, and are eligible for partial subsidy payments on the interest due from the US Department of the Treasury.

**SAN BRUNO PARK SCHOOL DISTRICT
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The following schedule summarizes District's outstanding Principal Bonds as of June 30, 2013:

Bond	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2013	
					Outstanding July 01, 2012	Additions/ Accretion	Redeemed		
Principal Bonds:									
1998A	CAB	8/1/98	8/1/23	5.1 - 5.3%	\$ 4,621,060	\$ 4,621,060	\$ -	\$ -	\$ 4,621,060
1998B	Current Int	8/1/00	8/1/13	4 - 4.9%	3,700,000	1,450,000	-	700,000	750,000
1998B	CAB	8/1/00	8/1/25	5.6 - 5.94%	4,299,644	4,299,644	-	-	4,299,644
1998C	Current Int	8/1/02	8/1/13	3 - 4.15%	3,040,000	865,000	-	410,000	455,000
1998C	CAB	8/1/02	8/1/26	4.97 - 5.64%	3,844,189	3,844,189	-	-	3,844,189
2000	CAB	8/1/00	8/1/12	5.3 - 5.4%	878,674	431,250	-	431,250	-
2011	LRB	7/15/11	7/15/27	5.37%	5,310,000	5,310,000	-	290,000	5,020,000
Subtotal Principal Bonds					25,693,567	20,821,143	-	1,831,250	18,989,893
Accreted Interest:									
1998A	CAB					4,758,736	498,919	267,378	4,990,277
1998B	CAB					4,440,281	517,593	-	4,957,874
1998C	CAB					2,978,845	389,947	-	3,368,792
2000	CAB					266,876	-	266,876	-
Subtotal Accreted Interest						12,444,738	1,406,459	534,254	13,316,943
Total Principal Bonds					\$ 25,693,567	\$ 33,265,881	\$ 1,406,459	\$ 2,365,504	\$ 32,306,836

The following is a summary of the District's annual debt service requirements as of June 30, 2013:

Fiscal Year	Principal	Interest to		Total
		Maturity		
2014	\$ 1,975,245	\$ 1,198,836	\$	3,174,081
2015	1,375,338	1,586,469		2,961,807
2016	1,362,810	1,685,575		3,048,385
2017	1,344,103	1,787,756		3,131,859
2018	1,329,886	1,892,652		3,222,538
2019-2023	6,412,253	11,225,719		17,637,972
2024-2028	5,190,258	9,747,062		14,937,320
Total	\$ 18,989,893	\$ 29,124,069	\$	48,113,962

The following is a summary of the credit to be received over the life of the bonds:

Fiscal Year	Credit to Maturity
2014	\$ 180,088
2015	169,000
2016	157,634
2017	146,084
2018	134,350
2019-2023	489,258
2024-2028	168,168
Total	\$ 1,444,582

**SAN BRUNO PARK SCHOOL DISTRICT
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NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS

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

PERS

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 Law. 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 Q Street, Sacramento, California 95811.

Funding Policy. Active plan members are required to contribute 7% of their salary, 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 the CalPERS Board of Administration. The District's required employer contribution rate for fiscal year 2013 was 11.417%. The contribution requirements of the plan members are established by state statute. For the fiscal year ending June 30, 2013, 2012 and 2011 the District contributed \$361,910, \$313,210 and \$318,795 to CalPERS. These were the District's required contributions.

STRS

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

Funding Policy. Active plan members are required to contribute 8% of their salary 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 the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$732,386, \$743,916 and \$725,527, respectively, and equaled 100% of the required contributions for each year.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Postemployment Healthcare Plan

Plan Description.

The District provides coverage to the following groups of employees and the District and retirees share in the cost of benefits as follows:

	Certificated	Certificated Management	Classified	Classified Management and Confidential
Benefit types provided	Medical and dental	Medical, dental and vision	Medical and dental**	Medical, dental and vision
Duration of Benefits	10 years*	10 years not beyond age 67	5 years not beyond age 65	5 years not beyond age 67
Required Service	10 years	10 years	10 years	10 years
Minimum Age	55	55	50	55
Dependent Coverage	No	No	Yes**	Yes
District Contribution	100%	100%	100%	100%
District Cap	None	Capped after 5 years of benefits	None	None

* But not beyond the earlier of the retiree's Medicare eligibility or age 67
** Choice of two-party medical or single medical and dental

All contracts with District employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by various labor agreements.

Funding Policy.

Employees are not required to contribute to the plan. In order to fully fund the plan, the District would be required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's policy is to pay the benefits as a cash outlay after retirement (the pay-as-you-go method).

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 781,483
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost - expense	781,483
Contributions made	(3,312,161)
Increase in net OPEB obligation (asset)	(2,530,678)
Net OPEB obligation (asset) - beginning of year	1,480,175
Net OPEB obligation (asset) - end of year	\$ (1,050,503)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2011	\$ 545,798	55%	\$ 1,196,659
6/30/2012	553,655	49%	1,480,175
6/30/2013	781,483	424%	(1,050,503)

Funded Status and Funding Progress

The most recent actuarial valuation date was March 1, 2013. The following summarizes the funded status of the plan as of June 30, 2013:

Actuarial accrued liability (AAL)	\$ 6,400,441
Actuarial value of plan assets	3,008,218
Unfunded actuarial accrued liability (UAAL)	\$ 3,392,223
Funded ratio (actuarial value of plan assets/AAL)	47%
Projected covered payroll (active Plan members)	\$ 12,425,255
UAAL as a percentage of covered payroll	27.30%

Actuarial Methods and Assumptions

The actuarial present value of the benefits which are allocated to the current year is called the Normal Cost. The actuarial present value of the benefits which are allocated to past years, including the full value of benefits for all former employees, is called the Actuarial Accrued Liability, and is amortized over a period of future years. The ARC is the sum of that amortization and the Normal Cost. Under the entry age normal funding method, normal costs are computed as a level percentage of salary. Amortization of unfunded liability is being made as a level percentage of payroll a 30-year period. The remaining amortization period at June 30, 2013, was twenty-eight years.

In the March 1, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4.0 percent. Both rates included a 3.0 percent inflation assumption.

Required Supplementary Information (OPEB Schedule of Funding Progress)

Schedule of Funding Progress - Postemployment Healthcare Plan:						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c))
11/1/2009	-	4,321,221	4,321,221	0.00%	13,635,895	31.69%
9/1/2010	-	3,952,253	3,952,253	0.00%	12,426,852	31.80%
3/1/2013	3,008,218	6,400,441	3,392,223	47.00%	12,425,255	27.30%

NOTE 9 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The District participates in one joint venture under a joint powers agreement (JPA), with the San Mateo County Schools Insurance Group, for Property & Liability, Workers' Compensation and Medical/ Dental. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and/ or provides coverage for its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of its JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

The following is a summary of the most recent financial information for the JPA:

	SMCSIG June 30, 2012
Total Assets	\$ 13,574,062
Total Liabilities	5,726,683
Total Net Assets	7,847,379
Total Revenues	32,801,946
Total Expenditures	31,526,227

NOTE 10 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Litigation

Various claims and litigation involving the District are currently outstanding. However, management of the District believes, based on consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

REQUIRED
SUPPLEMENTARY
INFORMATION

SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL (GAAP)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
Revenue limit sources:	\$ 14,668,424	\$ 18,001,092	\$ 18,120,339	\$ 119,247
Federal revenues	945,791	1,406,306	1,218,759	(187,547)
Other state	2,345,494	1,433,713	1,526,626	92,913
Other local	1,183,201	1,998,899	2,074,542	75,643
Total revenues	<u>19,142,910</u>	<u>22,840,010</u>	<u>22,940,266</u>	<u>100,256</u>
Expenditures:				
Certificated salaries	8,907,323	8,892,286	8,879,939	12,347
Classified salaries	2,824,101	2,914,887	2,895,296	19,591
Employee benefits	3,631,024	3,802,213	3,801,860	353
Books and supplies	634,107	859,481	655,497	203,984
Services and other operating expenditures	3,237,874	4,082,634	4,076,665	5,969
Capital outlay	13,000	165,525	152,924	12,601
Other outgo	1,992,901	5,545,200	5,552,776	(7,576)
Total expenditures	<u>21,240,330</u>	<u>26,262,226</u>	<u>26,014,957</u>	<u>247,269</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,097,420)</u>	<u>(3,422,216)</u>	<u>(3,074,691)</u>	<u>347,525</u>
Other financing sources (uses):				
Transfers in	1,259,000	4,343,002	4,343,002	-
Transfers out	(1,259,000)	(4,343,002)	(4,343,002)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	<u>\$ (2,097,420)</u>	<u>\$ (3,422,216)</u>	<u>\$ (3,074,691)</u>	<u>\$ 347,525</u>
Fund balances beginning			<u>10,421,582</u>	
Fund balances ending			<u>\$ 7,346,891</u>	

SUPPLEMENTARY
INFORMATION

**SAN BRUNO PARK SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	
Assets					
Cash and investments	\$ 33,262	\$ 279,628	\$ 256,355	\$ 57,180	\$ 626,425
Accounts receivable	37	8,069	402	85	8,593
Due from other governments	82,943	92,737	-	-	175,680
Prepaid items and inventory	-	10,927	-	-	10,927
Total Assets	\$ 116,242	\$ 391,361	\$ 256,757	\$ 57,265	\$ 821,625
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 3,446	\$ 4,203	\$ -	\$ -	\$ 7,649
Due to other funds	86,568	34,779	-	-	121,347
Total Liabilities	90,014	38,982	-	-	128,996
Fund balances:					
Nonspendable revolving fund	-	2,000	-	-	2,000
Nonspendable stores inventory	-	10,927	-	-	10,927
Restricted for cafeteria programs	-	334,597	-	-	334,597
Restricted for capital projects	-	-	-	53,684	53,684
Restricted for educational programs	26,228	-	-	-	26,228
Assigned for cafeteria programs	-	4,855	-	-	4,855
Assigned for capital projects	-	-	-	3,581	3,581
Assigned for site repairs	-	-	256,757	-	256,757
Total Fund Balances	26,228	352,379	256,757	57,265	692,629
Total Liabilities and Fund Balances	\$ 116,242	\$ 391,361	\$ 256,757	\$ 57,265	\$ 821,625

**SAN BRUNO PARK SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	Total Nonmajor Governmental Funds
	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	
Revenues:					
Federal revenue	\$ -	\$ 516,382	\$ -	\$ -	\$ 516,382
Other state	484,574	39,570	92,536	-	616,680
Other local	6,723	299,149	5,023	1,603	312,498
Total revenues	<u>491,297</u>	<u>855,101</u>	<u>97,559</u>	<u>1,603</u>	<u>1,445,560</u>
Expenditures:					
Current					
Instruction	362,514	-	-	-	362,514
Instruction-related services:					
Supervision of instruction	3,958	-	-	-	3,958
School site administration	107,911	-	-	-	107,911
Pupil services:					
Food services	-	756,611	-	-	756,611
General administration:					
All other general administration	16,409	33,744			50,153
Plant services	-	-	58,860	-	58,860
Facilities acquisition and construction	-	-	48,673	-	48,673
Total expenditures	<u>490,792</u>	<u>790,355</u>	<u>107,533</u>	<u>-</u>	<u>1,388,680</u>
Excess (deficiency) of revenues over (under) expenditures	<u>505</u>	<u>64,746</u>	<u>(9,974)</u>	<u>1,603</u>	<u>56,880</u>
Change in fund balances	505	64,746	(9,974)	1,603	56,880
Fund balances beginning	<u>25,723</u>	<u>287,633</u>	<u>266,731</u>	<u>55,662</u>	<u>635,749</u>
Fund balances ending	<u>\$ 26,228</u>	<u>\$ 352,379</u>	<u>\$ 256,757</u>	<u>\$ 57,265</u>	<u>\$ 692,629</u>

STATE AND FEDERAL
AWARD COMPLIANCE
SECTION

**SAN BRUNO PARK SCHOOL DISTRICT
ORGANIZATION
FOR THE YEAR ENDED JUNE 30, 2013**

The San Bruno Park School District serves approximately 2,600 students and is located in San Mateo County in San Bruno, California. During the 2012-13 school year, the District closed one K-5 elementary school. The District currently operates six K-5 elementary schools, and one 6-8 middle school.

Governing Board

Name	Office	Term Expires
Henry Sanchez	President	2013
James R. Prescott	Vice-President	2013
Patrick J. Flynn	Member at Large	2013
Jennifer M. Blanco	Representative	2015
Kevin J. Martinez	Clerk	2015

Administration

David E. Hutt, ED, D.
Superintendent

Steven J. Eichman
Chief Business Officer

**SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Second Period Report	Annual Report
Elementary:		
Kindergarten	315	312
Grades one through three	878	878
Grades four through six	843	841
Grades seven and eight	509	507
Special education	63	63
Home and hospital	3	4
ADA Totals	2,611	2,605

**SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME OFFERED
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Grade Level	1982-83	Reduced 1982-83	1986-87	Reduced 1986-87	2012-13 Actual Minutes	Number of Days	Number of Days	Status
	Actual Minutes	Actual Minutes ⁽¹⁾	Requirements	Requirements ⁽¹⁾		Traditional Calendar	Multitrack Calendar	
Kindergarten	32,040	31,125	36,000	34,971	36,000	180	0	In compliance
Grade 1	48,060	46,687	50,400	48,960	49,950	180	0	In compliance
Grade 2	48,060	46,687	50,400	48,960	49,950	180	0	In compliance
Grade 3	48,060	46,687	50,400	48,960	49,950	180	0	In compliance
Grade 4	54,290	52,739	54,000	52,457	53,850	180	0	In compliance
Grade 5	54,290	52,739	54,000	52,457	53,850	180	0	In compliance
Grade 6	54,290	52,739	54,000	52,457	61,493	180	0	In compliance
Grade 7	54,290	52,739	54,000	52,457	61,493	180	0	In compliance
Grade 8	54,290	52,739	54,000	52,457	61,493	180	0	In compliance

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Educational Code Section 46201.

⁽¹⁾For the 2012-13 school year, a school district, county office of education or charter school may reduce the equivalent of up to 5 days of instruction or the equivalent number of instructional minutes without incurring penalties as set forth in Sections 46201.2(a) and 46201.3(a). A school district, county office of education, or charter school shall receive revenue limit funding based on the adjustments prescribed pursuant to Section 42238.146 whether or not it reduces the number of school days or instructional minutes.

**SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	(Budget ¹)			
	2014	2013	2012	2011
<u>General Fund</u>				
Revenues and other financial sources	\$ 20,383,351	\$ 27,283,268	\$ 21,374,172	\$ 29,482,354
Expenditures	21,673,229	23,014,957	22,183,267	22,493,873
Other uses and transfers out	363,002	7,343,002	-	93,089
Total outgo	22,036,231	30,357,959	22,183,267	22,586,962
Change in fund balance	\$ (1,652,880)	\$ (3,074,691)	\$ (809,095)	\$ 6,895,392
Ending fund balance	\$ 5,694,011	\$ 7,346,891	\$ 10,421,582	\$ 11,230,677
Available reserves ⁽²⁾	\$ 890,738	\$ 1,607,587	\$ 5,642,700	\$ 4,866,284
Unassigned - Reserved for economic uncertainties	\$ 650,197	\$ 690,449	\$ 962,601	\$ 2,018,250
Unassigned fund balance	\$ 240,541	\$ 917,138	\$ 4,680,099	\$ 2,848,034
Available reserves as a percentage of total outgo	4.0%	5.3%	25.4%	21.5%
Total long-term liabilities	\$ 28,987,967	\$ 32,423,098	\$ 34,895,539	\$ 29,864,464
Average daily attendance at P-2	2,691	2,611	2,546	2,505

Average daily attendance has increased by 106 since 2011. The district anticipates an increase of 80 ADA.

The general fund balance has decreased by \$3,883,786 since 2011. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, other uses (total outgo).

The district has operated at a deficit in two of the past three years. Total long-term liabilities have increased by \$2,558,634 over the past three years, due to prior year bond issuances, less principle payments made on previously issued bonds in prior years.

¹ Budget numbers are based on the first adopted budget of the fiscal year 2013/14.

² Available reserves ⁽²⁾ consists of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.

**SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

PROGRAM NAME	FEDERAL CATALOG NUMBER	PASS THROUGH NUMBER	PROGRAM EXPENDITURE
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
National School Lunch Program	10.555	(1) 13391	\$ 516,382
TOTAL U.S. DEPARTMENT OF AGRICULTURE			516,382
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
<i>Special Education Cluster</i>			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	456,108
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027	13682	34,837
IDEA Local Assistance - Private School ISPs, Part B, Sec 611	84.027	10115	1,981
IDEA Preschool Grants, Part B, Sec 619	84.173	13430	18,288
IDEA Preschool Staff Development, Part B, Sec 619	84.173	13431	190
<i>Total Special Education Cluster</i>			<u>511,404</u>
<i>Title I, Part A Cluster</i>			
NCLB - Title I Basic Grant	84.010	14329	230,874
<i>Total Title I, Part A Cluster</i>			<u>230,874</u>
<i>Title II Cluster</i>			
NCLB - Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	55,169
NCLB - Title II, Part A, Administrator Training	84.367	14344	3,250
<i>Total Title II Cluster</i>			<u>58,419</u>
<i>Title III Cluster</i>			
NCLB - Title III Immigrant Education Program	84.365	15146	5,750
NCLB - Title III Limited English Proficient (LEP) Student Program	84.365	14346	123,285
<i>Total Title III Cluster</i>			<u>129,035</u>
TOTAL U. S. DEPARTMENT OF EDUCATION			929,732
TOTAL FEDERAL PROGRAMS			\$ 1,446,114

(1) Audited as major program

**SAN BRUNO PARK SCHOOL DISTRICT
RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT (SACS)
TO THE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds
June 30, 2013 Annual Financial and Budget Report Fund Balances	\$ 4,977,478	\$ 384,385	\$ 2,522,033	\$ 3,131,382	\$ 3,062,042
Adjustments and Reclassifications:					
Special Reserve Fund for Other Than Capital Outlay Projects:					
Cash and investments	396,061	-	-	-	(396,061)
Accounts receivable	604	-	-	-	(604)
Special Reserve Fund for Other Postemployment Benefits:					
Cash and investments	1,969,344	-	-	-	(1,969,344)
Accounts receivable	3,404	-	-	-	(3,404)
June 30, 2013 Audited Financial Statements Fund Balances	<u>\$ 7,346,891</u>	<u>\$ 384,385</u>	<u>\$ 2,522,033</u>	<u>\$ 3,131,382</u>	<u>\$ 692,629</u>

**SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF EXCESS SICK LEAVE
FOR THE YEAR ENDED JUNE 30, 2013**

Section 19833.5 (a)(3)(c) Disclosure

San Bruno Park School District does not provide more than 12 sick leave days in a school year to any groups of employees who are CalSTRS members.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO STATE AND FEDERAL AWARD COMPLIANCE SECTIONS
FOR THE YEAR ENDED JUNE 30, 2013**

1. PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

The District has not received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C. 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.

D. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-133 and state requirements.

E. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the annual financial and budget report to the audited financial statements.

F. Schedule of Excess Sick Leave

This schedule provides information on whether the District grants excess sick leave, as that term is defined in subdivision (c) of Education Code Section 22170.5, to employees who are members of the California State Teachers Retirement System.

2. RESULTS OF RECONCILIATIONS OF EXPENDITURES PER SCHEDULE OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEMS

There were no material unreconciled differences between the District's records and the schedule of federal grant activity as shown on the Schedule of Expenditures of Federal and State Awards.

3. EARLY RETIREMENT INCENTIVE PROGRAM

The District has not adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased to two years.

4. BASIS OF PRESENTATION – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of San Bruno Park School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

OTHER INDEPENDENT
AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
San Bruno Park School District
San Bruno, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Bruno Park School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise San Bruno Park School District's basic financial statements, and have issued our report thereon dated September 13, 2013.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Bruno Park 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*.

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.

C & A LLP

September 13, 2013
San Jose, California



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
San Bruno Park School District
San Bruno, California

Report on Compliance for Each Major Federal Program

We have audited San Bruno Park School District's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Bruno Park School District's major federal programs for the year ended June 30, 2013. San Bruno Park 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Bruno Park 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 San Bruno Park School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, San Bruno Park 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.

Report on Internal Control over Compliance

Management of San Bruno Park 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 San Bruno Park 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 Circular A-133, 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 San Bruno Park 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of San Bruno Park School District's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering San Bruno Park School District's internal control over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose.

C & A CP

September 13, 2013
San Jose, California



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS
 THAT COULD HAVE DIRECT AND MATERIAL EFFECT ON STATE PROGRAMS**

Board of Education
 San Bruno Park School District
 San Bruno, California

We have audited San Bruno Park School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13*, published by the Education Audit Appeals Panel that could have a direct and material effect on each of San Bruno Park School District's State programs for the year ended June 30, 2013. Compliance with the applicable requirements is the responsibility of San Bruno Park School District's management. Our responsibility is to express an opinion on the District's compliance with the applicable requirements based on our compliance audit.

We conducted our compliance audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the compliance 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 State program occurred. The compliance audit includes examining, on a test basis, evidence about San Bruno Park School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our compliance audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of San Bruno Park School District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Attendance Reporting	6	6
Teacher Certification and Misassignments	3	3
Kindergarten Continuance	3	3
Independent Study	23	None
Continuation Education	10	Not applicable
Instructional Time:		
School Districts	6	6
County Offices of Education	3	Not applicable
Instructional Materials - General Requirements	8	8
Ratios of Administrative Employees to Teachers	1	1
Classroom Teacher Salaries	1	1
Early Retirement Incentive	4	Not applicable
Gann Limit Calculation	1	1



<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
School Accountability Report Card	3	3
Juvenile Courts	8	Not applicable
Class Size Reduction:		
General Requirements	7	7
Option One	3	3
Option Two	4	Not applicable
Districts or Charter Schools with Only One School Serving K-3	4	Not applicable
After School Education and Safety Program:		
General Requirements	4	4
After School	5	5
Before School	6	Not applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom - Based Instruction	3	Not applicable
Annual Instructional Minutes - Classroom Based	4	Not applicable

We did not perform the audit procedures for Full-time Independent Study programs because the ADA was under the level that requires testing.

In our opinion, San Bruno Park School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2013.

C & A LLP

September 13, 2013
 San Jose, California

FINDINGS AND
RECOMMENDATIONS

**SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses?	___ Yes <u> x </u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes <u> x </u> No
Non-compliance material to financial statements noted?	___ Yes <u> x </u> No

Federal Awards

Internal control over major programs:	
Material weaknesses?	___ Yes <u> x </u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes <u> x </u> No

Type of auditor's report issued on compliance over major programs	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a)	___ Yes <u> x </u> No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
10.555	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs:	\$ <u> 300,000 </u>
Auditee qualified as low risk auditee?	<u> x </u> Yes ___ No

State Awards

Internal control over state programs:	
Material weaknesses?	___ Yes <u> x </u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes <u> x </u> No

Type of auditor's report issued on compliance over state programs:	<u>Unqualified</u>
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**SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section II – Financial Statement Findings

No findings noted.

Section III – Federal Award Findings and Questioned Costs

No findings noted.

Section IV – State Award Findings and Questioned Costs

No findings noted.

**SAN BRUNO PARK SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2013**

Section II – Financial Statement Findings

No findings noted.

Section III – Federal Award Findings and Questioned Costs

No findings noted.

Section IV – State Award Findings and Questioned Costs

2012-01 Kindergarten Continuance (40000)

Criteria

Education Code 46300 (g) – Each LEA may include the attendance of pupils in kindergarten after they have completed one school year in kindergarten only if the school district has on file for each of those pupils, an agreement made pursuant to Education Code section 48011, and signed parental consent for the pupil to continue.

Condition

For two students claimed under the kindergarten continuance program, Belle Air Elementary used the incorrect kindergarten form or incorrectly completed the form for a total of two students. The school site did use the correct form for one student but there were no signatures on the form from either the principal or the student’s parent or guardian.

Effect

The District was not in compliance with state regulations when retaining children in kindergarten.

Cause

The District had not implemented appropriate controls for the completion of the kindergarten continuance forms.

Fiscal Impact

None. The District is a basic-aid district and there is no financial penalty associated with this finding, however the district is still out of compliance with state standards.

Recommendation

The District should develop and implement a procedure to ensure that the correct form is completed for all retained kindergarten students, and that the form is correctly completed for all students.

Corrective Action Plan

Management will ensure that sites use the correct form, and that an employee from the District office will review all forms for accuracy.

Status

Implemented.