

SAN BRUNO PARK SCHOOL DISTRICT

COUNTY OF SAN MATEO
SAN BRUNO, CALIFORNIA

AUDIT REPORT

JUNE 30, 2014



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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, 2014, 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*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following. 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, 2014, 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 39 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.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2014 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

November 28, 2014
San Jose, California

Management's Discussion and Analysis

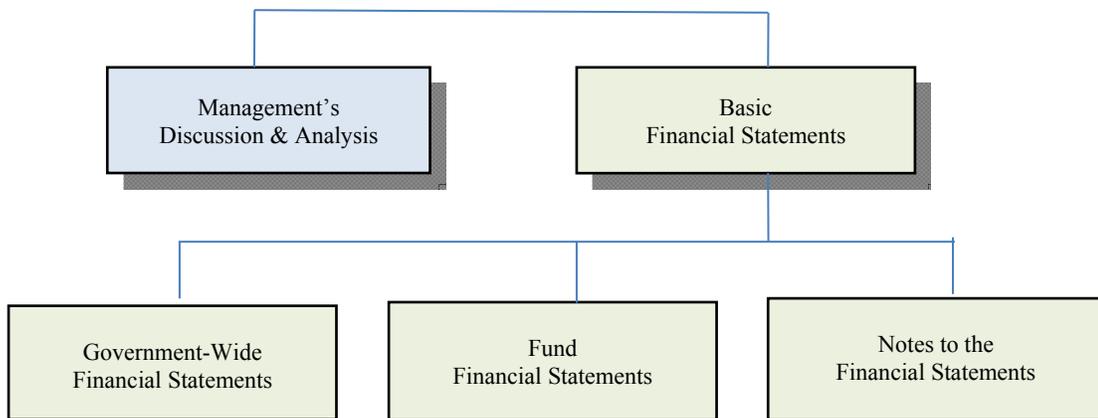
**SAN BRUNO PARK SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014. 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, 2014 were as follows:

- Total net position decreased by \$2,789,213 or 12% from June 30, 2013 to June 30, 2014.
- General revenues accounted for \$22,527,531 which is 85% of all revenues. Program specific revenues in the form of operating grants and contributions, and charges for services accounted for \$3,951,919 or 15% of total revenues of \$26,479,450.
- The District had \$29,268,663 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 \$1,684,662, or 12% from June 30, 2013 to June 30, 2014.
- Among major funds, the General Fund had \$22,582,556 in revenues and \$24,222,192 in expenditures. The General Fund's fund balance decreased by \$1,639,636 from June 30, 2013 to June 30, 2014.

**SAN BRUNO PARK SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 2013 - 2014?" 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, 2014**

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 student body funds. 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 \$4,216,988. Net capital assets decreased by \$2,101,997 because of current year depreciation. Unrestricted net position of the District, which does not have constraints from grantors, legal requirements, or legislation, increased by \$744,767, and restricted net position decreased by \$2,857,050.

**SAN BRUNO PARK SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Table 1 provides a summary of the District's net position as of June 30, 2014 as compared to June 30, 2013:

Table 1 - Summary of Net Position				
	2014	2013	Increase (Decrease)	Percent
Assets				
Current Assets	\$ 13,296,914	\$ 14,929,567	\$ (1,632,653)	-10.9%
Capital Assets	38,986,545	41,088,542	(2,101,997)	-5.1%
Other Noncurrent Assets	568,165	1,050,503	(482,338)	-45.9%
Total Assets	52,851,624	57,068,612	(4,216,988)	-7.4%
Liabilities				
Current and Other Liabilities	1,020,550	998,698	21,852	2.2%
Long-Term Liabilities	30,973,471	32,423,098	(1,449,627)	-4.5%
Total Liabilities	31,994,021	33,421,796	(1,427,775)	-4.3%
Net Position				
Net Investment in Capital Assets	8,104,776	8,781,706	(676,930)	-7.7%
Restricted	7,366,170	10,223,220	(2,857,050)	-27.9%
Unrestricted	5,386,657	4,641,890	744,767	16.0%
Total Net Position	\$ 20,857,603	\$ 23,646,816	\$ (2,789,213)	-11.8%

Table 2 shows the changes in net position from fiscal year 2012-13 to 2013-14:

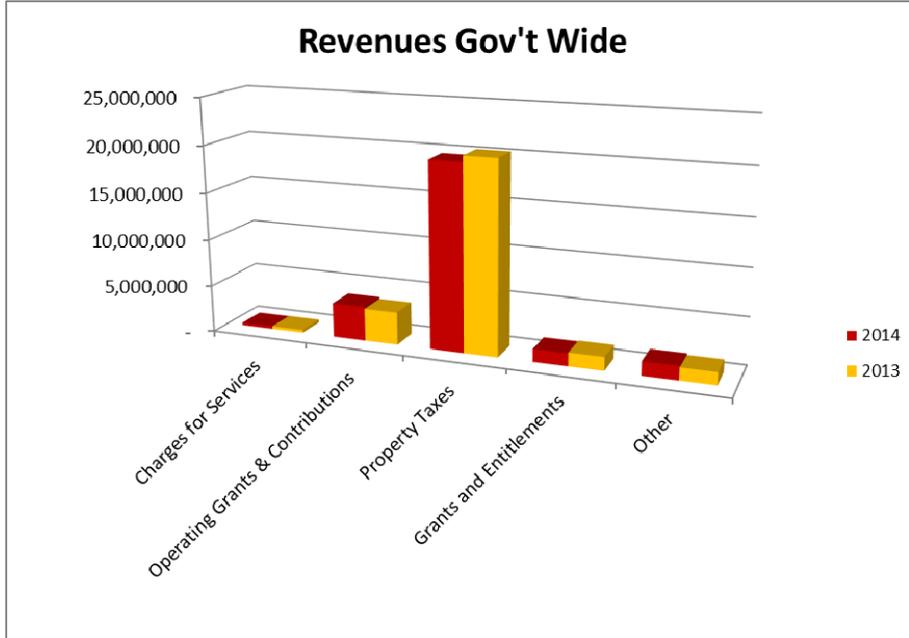
Table 2 - Change in Net Position				
	2014	2013	Increase (Decrease)	Percent
Revenues				
Program Revenues:				
Charges for Services	\$ 276,135	\$ 297,105	\$ (20,970)	-7.1%
Operating Grants and Contributions	3,675,784	3,468,291	207,493	6.0%
General Revenues:				
Property Taxes	19,669,842	20,317,568	(647,726)	-3.2%
Grants and Entitlements - Unrestricted	1,367,532	1,449,829	(82,297)	-5.7%
Other	1,490,157	1,323,002	167,155	12.6%
Total Revenues	26,479,450	26,855,795	(376,345)	-1.4%
Program Expenses				
Instruction	16,653,613	15,377,424	1,276,189	8.3%
Instruction-Related Services	3,034,885	3,099,214	(64,329)	-2.1%
Pupil Services	2,212,748	2,052,675	160,073	7.8%
General Administration	1,321,313	1,564,921	(243,608)	-15.6%
Plant Services	2,345,636	2,419,865	(74,229)	-3.1%
Facility Acquisition and Construction	-	151,725	(151,725)	-100.0%
Ancillary Services	210,878	213,856	(2,978)	-1.4%
Other Educational Programs	2,129,031	1,858,825	270,206	14.5%
Interest and Fiscal Charges	1,360,559	1,258,440	102,119	8.1%
Total Expenses	29,268,663	27,996,945	1,271,718	4.5%
Change in Net Position	(2,789,213)	(1,141,150)	(1,648,063)	144.4%
Prior Period Restatement	-	(491,022)	491,022	-100.0%
Change in Net Position Including Restatement	\$ (2,789,213)	\$ (1,632,172)	\$ (1,157,041)	70.9%

**SAN BRUNO PARK SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

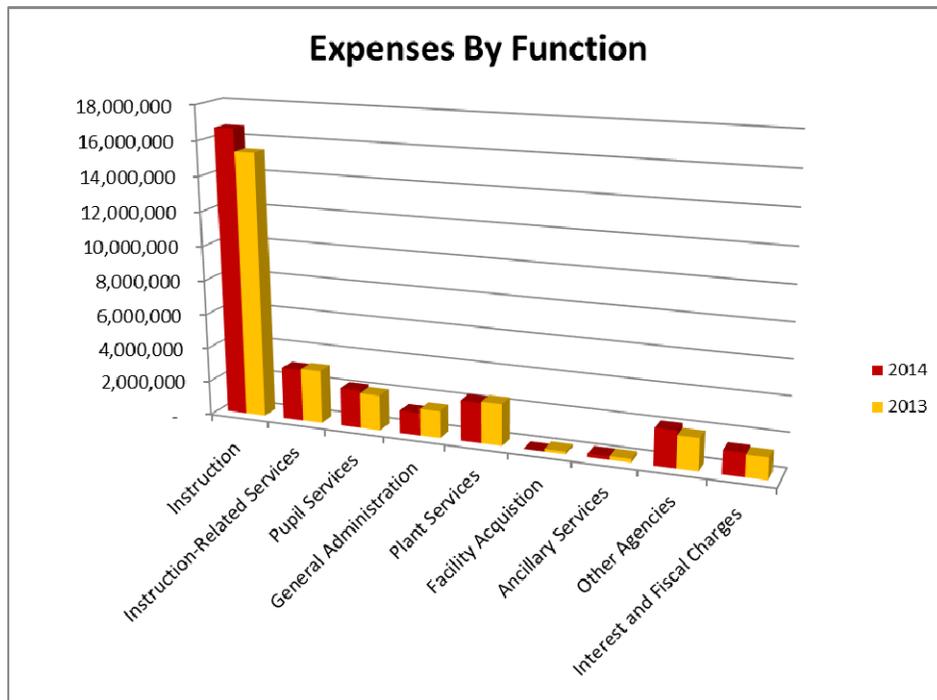
Property taxes comprised 74.3% of District revenues and direct instruction costs comprised 56.9% of District expenses for fiscal year 2013-14. These percentages are consistent with 2012-13.

Total revenues decreased by 1.4% and total expenses increased by 4.5% for fiscal year 2013-14.

The following is a summary of government-wide revenues for the fiscal years ended June 30, 2013 and 2014:



The following is a summary of expenses by function for the fiscal years ended June 30, 2013 and 2014:



**SAN BRUNO PARK SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	2014	2013	Increase (Decrease)	Percent
Instruction	\$ 14,830,518	\$ 13,924,929	\$ 905,589	6.5%
Instruction-Related Services	2,840,827	2,811,338	29,489	1.0%
Pupil Services	1,348,356	1,153,838	194,518	16.9%
General Administration	1,189,031	1,442,734	(253,703)	-17.6%
Plant Services	2,202,727	2,419,044	(216,317)	-8.9%
Facilities Acquisition and Construction	-	151,725	(151,725)	-100.0%
Other Educational Programs	1,544,726	1,069,501	475,225	44.4%
Interest and Fiscal Charges	1,360,559	1,258,440	102,119	8.1%
Total Net Cost of Services	\$ 25,316,744	\$ 24,231,549	\$ 1,085,195	4.5%

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, 77% 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 \$12,392,658, which is a decrease of \$1,684,662 from last year's total.

**SAN BRUNO PARK SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	2014	2013	Increase (Decrease)
General Fund	\$ 5,707,255	\$ 7,346,891	\$ (1,639,636)
Child Development Fund	27,888	26,228	1,660
Cafeteria Fund	391,666	352,379	39,287
Deferred Maintenance Fund	160,220	256,757	(96,537)
Building Fund	61,505	57,265	4,240
Capital Facilities Fund	439,614	384,385	55,229
Special Reserve Fund for Capital Outlay Projects	2,388,001	2,522,033	(134,032)
Bond Interest & Redemption Fund	3,216,509	3,131,382	85,127
Total Governmental Fund Balances	\$ 12,392,658	\$ 14,077,320	\$ (1,684,662)

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 2013-14 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 \$3,092,224 from the original to final budget.

For the General Fund, the final budget basis revenue and other financing sources estimate was \$22,553,910. The original budgeted estimate was \$20,020,349.

CAPITAL ASSETS

At the end of the fiscal year 2014, the District had \$61,802,026 invested in land, buildings, furniture and equipment, and vehicles located at the District's school sites.

Table 5 shows June 30, 2014 balances as compared to June 30, 2013.

Table 5 - Summary of Capital Assets Net of Depreciation			
Capital Asset	2014	2013	Percentage Change
	Net Capital Asset	Net Capital Asset	
Land	\$ 598,612	\$ 598,612	0.0%
Site Improvements	14,242,775	15,543,800	-8.4%
Buildings and Improvements	23,324,702	24,280,707	-3.9%
Furniture and Equipment	551,752	665,423	-17.1%
Work-in-Progress	268,704	-	N/A
Totals	\$ 38,986,545	\$ 41,088,542	-5.1%

**SAN BRUNO PARK SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Overall capital assets decreased by 5% from fiscal year 2013 to fiscal year 2014 because of \$2,430,839 in current depreciation, net of \$328,842 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	2014	2013	Percentage Change
General obligation bonds	\$ 26,156,769	\$ 27,286,836	-4.1%
Lease revenue bonds	4,725,000	5,020,000	-5.9%
Compensated absences	91,702	116,262	-21.1%
Total Debt	\$ 30,973,471	\$ 32,423,098	-4.5%

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 cannot be relied upon to eliminate the current levels of deficit spending. 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. Budget balancing efforts are currently underway.

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 the 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, 2014

	Governmental Activities
Assets	
Current assets:	
Cash and investments	\$ 12,225,840
Accounts receivable	628,281
Prepaid items and inventory	442,793
Total current assets	13,296,914
Noncurrent assets:	
Net OPEB asset	568,165
Capital assets - net	38,986,545
Total noncurrent assets	39,554,710
Total Assets	\$ 52,851,624
Liabilities	
Current liabilities:	
Accounts payable	\$ 822,056
Unearned revenue	82,200
Accrued interest	116,294
Total current liabilities	1,020,550
Long-term liabilities:	
Due within one year	2,873,468
Due after one year	28,100,003
Total long-term liabilities	30,973,471
Total Liabilities	\$ 31,994,021
Net Position	
Net investment in capital assets	\$ 8,104,776
Restricted for:	
Capital projects	2,889,275
Debt service	3,216,509
Cafeteria programs	370,763
Educational programs	889,623
Unrestricted	5,386,657
Total Net Position	\$ 20,857,603

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, 2014**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 16,653,613	\$ 7,647	\$ 1,815,448	\$ (14,830,518)
Instruction-related services:				
Supervision of instruction	245,603	196	65,790	(179,617)
Instruction library, media and technology	475,196	-	11,580	(463,616)
School site administration	2,314,086	1,932	114,560	(2,197,594)
Pupil services:				
Home-to-school transportation	563,448	-	57	(563,391)
Food services	771,287	252,352	525,037	6,102
All other pupil services	878,013	-	86,946	(791,067)
General administration:				
All other general administration	1,321,313	13,913	118,369	(1,189,031)
Plant services	2,345,636	95	142,814	(2,202,727)
Ancillary Services	210,878	-	210,878	-
Other educational programs	2,129,031	-	584,305	(1,544,726)
Interest on long-term debt	1,360,559	-	-	(1,360,559)
Total governmental activities	<u>\$ 29,268,663</u>	<u>\$ 276,135</u>	<u>\$ 3,675,784</u>	<u>(25,316,744)</u>
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				17,028,670
Taxes levied for debt service				2,293,290
Taxes levied for other specific purposes				347,882
Federal and state aid non restricted to specific purposes				1,367,532
Interest and investment earnings				266,483
Miscellaneous				1,223,674
Total general revenues				<u>22,527,531</u>
Change in net position				(2,789,213)
Net position beginning				<u>23,646,816</u>
Net position ending				<u>\$ 20,857,603</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, 2014**

	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	\$ 5,587,713	\$ 447,225	\$ 2,384,510	\$ 3,212,129	\$ 594,263	\$ 12,225,840
Accounts receivable	404,559	654	3,491	4,380	215,197	628,281
Due from other funds	137,533	-	-	-	-	137,533
Prepaid items and inventory	431,866	-	-	-	10,927	442,793
Total Assets	\$ 6,561,671	\$ 447,879	\$ 2,388,001	\$ 3,216,509	\$ 820,387	\$ 13,434,447
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 772,216	\$ 8,265	\$ -	\$ -	\$ 41,575	\$ 822,056
Due to other funds	-	-	-	-	137,533	137,533
Unearned revenue	82,200	-	-	-	-	82,200
Total Liabilities	854,416	8,265	-	-	179,108	1,041,789
Fund balances:						
Nonspendable:						
Revolving fund	500	-	-	-	2,000	2,500
Stores inventory	-	-	-	-	10,927	10,927
Prepaid expenses	431,866	-	-	-	-	431,866
Restricted for:						
Cafeteria programs	-	-	-	-	370,763	370,763
Capital projects	-	439,614	-	-	53,684	493,298
Educational programs	861,735	-	-	-	27,888	889,623
Debt service	-	-	-	3,216,509	-	3,216,509
Assigned for:						
Capital projects	-	-	2,388,001	-	7,976	2,395,977
Other postemployment benefits	1,985,184	-	-	-	-	1,985,184
Site repairs	-	-	-	-	160,220	160,220
Unassigned:						
Economic uncertainties	1,152,976	-	-	-	-	1,152,976
Unappropriated	1,274,994	-	-	-	7,821	1,282,815
Total Fund Balances	5,707,255	439,614	2,388,001	3,216,509	641,279	12,392,658
Total Liabilities and Fund Balances	\$ 6,561,671	\$ 447,879	\$ 2,388,001	\$ 3,216,509	\$ 820,387	\$ 13,434,447

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, 2014**

Total fund balances - governmental funds		\$ 12,392,658
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	\$ 61,802,026	
Accumulated depreciation	<u>(22,815,481)</u>	38,986,545
Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the governmental funds.		
		(116,294)
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	\$ 26,156,769	
Lease revenue bonds	4,725,000	
Compensated absences (vacation)	<u>91,702</u>	(30,973,471)
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>568,165</u>
Total net position - governmental activities		<u><u>\$ 20,857,603</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, 2014

	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:						
LCFF sources	\$ 17,951,847	\$ -	\$ -	\$ -	\$ -	\$ 17,951,847
Federal revenue	1,077,803	-	-	-	514,896	1,592,699
Other state	1,446,829	-	-	15,530	565,272	2,027,631
Other local	2,106,077	81,560	108,341	2,312,397	298,898	4,907,273
Total revenues	22,582,556	81,560	108,341	2,327,927	1,379,066	26,479,450
Expenditures:						
Instruction	14,223,234	-	-	-	397,475	14,620,709
Instruction-related services:						
Supervision of instruction	235,431	-	-	-	10,172	245,603
Instruction library, media and technology	475,196	-	-	-	-	475,196
School site administration	1,694,986	-	-	-	100,082	1,795,068
Pupil services:						
Home-to-school transportation	563,448	-	-	-	-	563,448
Food services	-	-	-	-	771,287	771,287
All other pupil services	860,358	-	-	-	-	860,358
General administration:						
All other general administration	1,253,780	-	-	-	67,533	1,321,313
Plant services	1,973,127	-	-	-	113,607	2,086,734
Facilities acquisition and construction	-	26,331	242,373	-	-	268,704
Ancillary services	210,878	-	-	-	-	210,878
Payments to other agencies	2,129,031	-	-	-	-	2,129,031
Debt service:						
Principal	295,000	-	-	1,680,245	-	1,975,245
Interest and other costs	277,983	-	-	562,555	-	840,538
Total expenditures	24,192,452	26,331	242,373	2,242,800	1,460,156	28,164,112
Excess (deficiency) of revenues over (under) expenditures	(1,609,896)	55,229	(134,032)	85,127	(81,090)	(1,684,662)
Other financing sources (uses):						
Transfers in	-	-	-	-	29,740	29,740
Transfers out	(29,740)	-	-	-	-	(29,740)
Total other financing sources (uses)	(29,740)	-	-	-	29,740	-
Net changes in fund balances	(1,639,636)	55,229	(134,032)	85,127	(51,350)	(1,684,662)
Fund balances beginning	7,346,891	384,385	2,522,033	3,131,382	692,629	14,077,320
Fund balances ending	\$ 5,707,255	\$ 439,614	\$ 2,388,001	\$ 3,216,509	\$ 641,279	\$ 12,392,658

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, 2014**

Total net change in fund balances - governmental funds \$ (1,684,662)

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	\$ 328,842	
Depreciation expense	<u>(2,430,839)</u>	(2,101,997)

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. (550,178)

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		1,975,245
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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: 24,560

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:

Retiree premiums paid	\$ 299,145	
Actuarially determined annual OPEB cost	<u>(781,483)</u>	(482,338)

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. 30,157

Changes in net position of governmental activities		<u>\$ (2,789,213)</u>
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The notes to basic financial statements are an integral part of this statement.

**SAN BRUNO PARK SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2014**

	Student Body Agency Fund <u>Total</u>
Assets	
Cash on hand and in banks	<u>\$ 12,320</u>
Total Assets	<u><u>\$ 12,320</u></u>
Liabilities	
Due to student groups	<u>\$ 12,320</u>
Total Liabilities	<u><u>\$ 12,320</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, 2014**

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, 2014, 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.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 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.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

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.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

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:

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

Fiduciary Funds:

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.

In the prior year, the District presented the retiree benefit fund as a fiduciary fund in the governmental funds financial statements. The retiree benefit fund exists to account separately for contributions to the District's postemployment benefit plan. The contributions to the plan are held in a third party irrevocable trust, separate from the District's funds, and therefore, are not reported as a part of the District's financial statements.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

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.

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

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 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. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred and timing requirements have been met. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. Unearned revenue in the funds is recorded for grant and entitlement receivables that are not available within ninety days of year end and for cash receipts from grants and entitlements for which the District has not met the eligibility requirements for recognizing revenue. Security deposits for leased facilities are recorded as unearned in the government-wide statements and deferred in the fund statements.

5. 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.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

6. 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.

7. 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.

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 trustees.
- *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.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

8. 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.

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.

9. Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The 2013–14 Budget Act provides \$2.1 billion for school districts and charter schools and \$32 million for COEs to support the first-year implementation of the LCFF. Until full implementation, however, local educational agencies (LEAs) will receive roughly the same amount of funding they received in 2012–13 plus an additional amount each year to bridge the gap between current funding levels and the new LCFF target levels. The budget projects the time frame for full implementation of the LCFF to be eight years.

The LCFF includes the following components for school districts and charter schools:

- Provides a base grant for each LEA equivalent to \$7,643 per average daily attendance (ADA). The actual base grants would vary based on grade span.
- Provides an adjustment of 10.4 percent on the base grant amount for kindergarten through grade three (K–3). As a condition of receiving these funds, the LEA shall progress toward an average class enrollment of no more than 24 pupils in kindergarten through grade three, unless the LEA has collectively bargained an annual alternative average class enrollment in those grades for each school site.
- Provides an adjustment of 2.6 percent on the base grant amount for grades nine through twelve.
- Provides a supplemental grant equal to 20 percent of the adjusted base grant for targeted disadvantaged students. Targeted students are those classified as English learners (EL), eligible to receive a free or reduced-price meal (FRPM), foster youth, or any combination of these factors (unduplicated count).
- Provides a concentration grant equal to 50 percent of the adjusted base grant for targeted students exceeding 55 percent of an LEA’s enrollment.
- Provides for additional funding based on an “economic recovery target” to ensure that virtually all districts are at least restored to their 2007–08 state funding levels (adjusted for inflation) and also guarantees a minimum amount of state aid to LEAs.

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.

10. 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

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

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

11. Interfund Transactions

Interfund transactions are reported as either 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 eliminated as part of the reconciliation to the government-wide financial statements.

12. 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.

13. 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. Upcoming Accounting and Reporting Changes

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.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - CASH AND INVESTMENTS

Summary of Deposits

A summary of deposits as of June 30, 2014, is as follows:

Deposit or Investment	Carrying Amount	Fair Value	Investment Rating
<i>Government-Wide Statements:</i>			
Cash in county treasury investment pool	\$ 12,134,199	\$ 12,133,592	AA
Cash in banks	100	100	n/a
Cash in revolving fund	2,500	2,500	n/a
Cash with fiscal agent	89,041	89,041	n/a
Total Government-Wide Cash and Investments	12,225,840	12,225,233	
<i>Fiduciary Funds:</i>			
Cash in banks	12,320	12,320	n/a
Total Cash and Investments	\$ 12,238,160	\$ 12,237,553	

Cash in banks and revolving funds

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, 2014, the bank balance of the District's accounts with banks was \$97,074 which was fully insured by FDIC.

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.

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.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 \$981 million and an amortized book value of \$981 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.

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.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2014:

Receivables	General Fund	Capital Facilities Fund	Special Reserve for Capital Outlay	Bond Interest Redemption	Nonmajor Funds	Total
Federal Government:						
Special Ed.: IDEA	\$ 87,431	\$ -	\$ -	\$ -	\$ -	\$ 87,431
Child Nutrition	-	-	-	-	120,287	120,287
Title I	70,627	-	-	-	-	70,627
Other Federal Resources	11,167	-	-	-	-	11,167
State Government:						
Lottery	85,724	-	-	-	-	85,724
Child Development	-	-	-	-	94,045	94,045
Other State Resources	48,025	-	-	-	-	48,025
Interest	-	-	-	4,380	-	4,380
Other Resources	101,585	654	3,491	-	865	106,595
Total Accounts Receivable	\$ 404,559	\$ 654	\$ 3,491	\$ 4,380	\$ 215,197	\$ 628,281

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)

	Due From (Receivable In)	
	General Fund	Total
Due To (Payable In)		Due To
Child Development Fund	\$ 96,580	\$ 96,580
Cafeteria Fund	40,953	40,953
Total Due From	\$ 137,533	\$ 137,533

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenues to funds through which the resources are to be expended. Interfund transfers consisted of \$29,740 received in the Cafeteria Fund from the General Fund for the purpose of reimbursing the Cafeteria Fund for costs incurred during the year.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2014, is shown below:

Capital Assets	Balance July 01, 2013	Additions	Adjustments & Deletions	Balance June 30, 2014
Land - nondepreciable	\$ 598,612	\$ -	\$ -	\$ 598,612
Site Improvements	30,398,726	-	-	30,398,726
Buildings and improvements	27,014,761	-	-	27,014,761
Furniture and equipment	3,461,085	60,138	-	3,521,223
Work-in-progress	-	268,704	-	268,704
Total capital assets	61,473,184	328,842	-	61,802,026
Less accumulated depreciation for:				
Site Improvements	14,854,926	1,301,025	-	16,155,951
Buildings and improvements	2,734,054	956,005	-	3,690,059
Furniture and equipment	2,795,662	173,809	-	2,969,471
Total accumulated depreciation	20,384,642	2,430,839	-	22,815,481
Total capital assets - net depreciation	\$ 41,088,542	\$ (2,101,997)	\$ -	\$ 38,986,545

Depreciation expense was charged to governmental activities as follows:	
Instruction	\$ 1,575,126
Instruction-related services	519,018
Pupil services	17,655
Plant services	319,040
Total depreciation expense	\$ 2,430,839

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, 2014:

Long-term Debt	Balance July 01, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
General Obligation Bonds	\$ 27,286,836	\$ 1,459,886	\$ 2,589,953	\$ 26,156,769	\$ 2,568,468
Lease Revenue Bonds	5,020,000	-	295,000	4,725,000	305,000
Compensated Absences	116,262	-	24,560	91,702	-
Total Long-term Debt	\$ 32,423,098	\$ 1,459,886	\$ 2,909,513	\$ 30,973,471	\$ 2,873,468

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund from local revenues. Payments on the lease revenue bonds are made by the General Fund from local revenues. The accrued vacation 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.

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 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.

The following schedule summarizes District's outstanding Principal Bonds as of June 30, 2014:

Bond	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2014	
					Outstanding July 01, 2013	Additions/ Accretion	Redeemed		
Principal Bonds:									
1998A	CAB	8/1/98	8/1/23	5.1 - 5.3%	\$ 4,621,060	\$ 4,621,060	\$ -	\$ 475,245	\$ 4,145,815
1998B	Current Int	8/1/00	8/1/13	4 - 4.9%	3,700,000	750,000	-	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	455,000	-	455,000	-
1998C	CAB	8/1/02	8/1/26	4.97 - 5.64%	3,844,189	3,844,189	-	-	3,844,189
2011	LRB	7/15/11	7/15/27	5.37%	5,310,000	5,020,000	-	295,000	4,725,000
Subtotal Principal Bonds					24,814,893	18,989,893	-	1,975,245	17,014,648
Accreted Interest:									
1998A	CAB					4,990,277	499,939	557,908	4,932,308
1998B	CAB					4,957,874	548,304	225,038	5,281,140
1998C	CAB					3,368,792	411,643	126,762	3,653,673
Subtotal Accreted Interest						13,316,943	1,459,886	909,708	13,867,121
Total Principal Bonds					\$ 24,814,893	\$ 32,306,836	\$ 1,459,886	\$ 2,884,953	\$ 30,881,769

The following is a summary of the District's annual debt service requirements as of June 30, 2014:

Fiscal Year	Principal	Interest to	
		Maturity	Total
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	1,310,211	2,003,909	3,314,120
2020-2024	6,273,023	11,879,321	18,152,344
2025-2028	4,019,277	7,089,551	11,108,828
Total	\$ 17,014,648	\$ 27,925,233	\$ 44,939,881

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Fiscal Year	Credit to Maturity
2015	\$ 169,000
2016	157,634
2017	146,084
2018	134,350
2019	122,430
2020-2024	426,888
2025-2028	108,108
Total	\$ 1,264,494

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 2014 was 11.442%. The contribution requirements of the plan members are established by state statute. For the fiscal year ending June 30, 2014, 2013 and 2012 the District contributed \$378,270, \$361,910 and \$313,210 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

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 2013-2014 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, 2014, 2013, and 2012, were \$755,707, \$732,386 and \$743,916, respectively, and equaled 100% of the required contributions for each year.

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).

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

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	(299,145)
Increase in net OPEB obligation (asset)	482,338
Net OPEB obligation (asset) - beginning of year	(1,050,503)
Net OPEB obligation (asset) - end of year	\$ (568,165)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2012	\$ 553,655	49%	\$ 1,480,175
6/30/2013	781,483	424%	(1,050,503)
6/30/2014	781,483	38%	(568,165)

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, 2014:

Actuarial accrued liability (AAL)	\$ 6,400,441
Value of plan assets	3,318,418
Unfunded actuarial accrued liability (UAAL)	\$ 3,082,023
Funded ratio (actuarial value of plan assets/AAL)	51.85%
Projected covered payroll (active Plan members)	\$ 12,828,438
UAAL as a percentage of covered payroll	24.02%

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

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014, was twenty-seven 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 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 Accrued 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	3,318,418	6,400,441	3,082,023	51.85%	12,828,438	24.02%

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:

<i>Risk Management JPA's</i>	SMCSIG June 30, 2014
Total Assets	\$ 17,343,941
Total Liabilities	8,411,639
Total Equity	8,932,302
Total Revenues	35,889,261
Total Expenditures	35,880,935

**SAN BRUNO PARK SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

Litigation

During the normal course of business, the District may be exposed to various claims and litigation. Based on consultation with legal counsel, management believes that there were no significant litigation related matters that would have a material adverse effect on the District's financial position or results of operations as of June 30, 2014.

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, 2014

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
LCFF sources	\$ 16,238,377	\$ 18,002,571	\$ 17,951,847	\$ (50,724)
Federal revenues	1,051,091	1,246,672	1,077,803	(168,869)
Other state	1,261,088	1,453,802	1,446,829	(6,973)
Other local	1,469,793	1,850,865	2,106,077	255,212
Total revenues	<u>20,020,349</u>	<u>22,553,910</u>	<u>22,582,556</u>	<u>28,646</u>
Expenditures:				
Certificated salaries	8,905,704	9,139,487	9,174,131	(34,644)
Classified salaries	2,705,689	2,915,511	2,969,763	(54,252)
Employee benefits	3,747,616	3,792,376	3,816,652	(24,276)
Books and supplies	534,224	1,420,421	1,107,338	313,083
Services and other operating expenditures	3,785,077	4,687,271	4,429,951	257,320
Capital outlay	18,000	27,000	60,138	(33,138)
Other outgo	1,976,919	2,783,387	2,634,479	148,908
Total expenditures	<u>21,673,229</u>	<u>24,765,453</u>	<u>24,192,452</u>	<u>573,001</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,652,880)</u>	<u>(2,211,543)</u>	<u>(1,609,896)</u>	<u>601,647</u>
Other financing sources (uses):				
Transfers in	363,002	363,002	-	(363,002)
Transfers out	(363,002)	(363,002)	(29,740)	333,262
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(29,740)</u>	<u>(29,740)</u>
Change in fund balance	<u>\$ (1,652,880)</u>	<u>\$ (2,211,543)</u>	<u>\$ (1,639,636)</u>	<u>\$ 571,907</u>
Fund balances beginning			<u>7,346,891</u>	
Fund balances ending			<u>\$ 5,707,255</u>	

SUPPLEMENTARY
INFORMATION

**SAN BRUNO PARK SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	Total Nonmajor Governmental Funds
	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	
Assets					
Cash and investments	\$ 47,395	\$ 325,478	\$ 159,975	\$ 61,415	\$ 594,263
Accounts receivable	94,090	120,772	245	90	215,197
Prepaid items and inventory	-	10,927	-	-	10,927
Total Assets	<u>\$ 141,485</u>	<u>\$ 457,177</u>	<u>\$ 160,220</u>	<u>\$ 61,505</u>	<u>\$ 820,387</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 17,017	\$ 24,558	\$ -	\$ -	\$ 41,575
Due to other funds	96,580	40,953	-	-	137,533
Total Liabilities	<u>113,597</u>	<u>65,511</u>	<u>-</u>	<u>-</u>	<u>179,108</u>
Fund balances:					
Nonspendable revolving fund	-	2,000	-	-	2,000
Nonspendable stores inventory	-	10,927	-	-	10,927
Restricted for cafeteria programs	-	370,763	-	-	370,763
Restricted for capital projects	-	-	-	53,684	53,684
Restricted for educational programs	27,888	-	-	-	27,888
Assigned for cafeteria programs	-	7,976	-	-	7,976
Assigned for capital projects	-	-	-	7,821	7,821
Assigned for site repairs	-	-	160,220	-	160,220
Total Fund Balances	<u>27,888</u>	<u>391,666</u>	<u>160,220</u>	<u>61,505</u>	<u>641,279</u>
Total Liabilities and Fund Balances	<u>\$ 141,485</u>	<u>\$ 457,177</u>	<u>\$ 160,220</u>	<u>\$ 61,505</u>	<u>\$ 820,387</u>

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, 2014

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	
Revenues:					
Federal revenue	\$ -	\$ 514,896	\$ -	\$ -	\$ 514,896
Other state	527,481	37,791	-	-	565,272
Other local	13,443	269,052	12,163	4,240	298,898
Total revenues	540,924	821,739	12,163	4,240	1,379,066
Expenditures:					
Current					
Instruction	397,475	-	-	-	397,475
Instruction-related services:					
Supervision of instruction	10,172	-	-	-	10,172
School site administration	100,082	-	-	-	100,082
Pupil services:					
Food services	48	771,239	-	-	771,287
General administration:					
All other general administration	26,580	40,953			67,533
Plant services	4,907	-	108,700	-	113,607
Total expenditures	539,264	812,192	108,700	-	1,460,156
Excess (deficiency) of revenues over (under) expenditures	1,660	9,547	(96,537)	4,240	(81,090)
Other financing sources (uses):					
Transfers in	-	29,740	-	-	29,740
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	29,740	-	-	29,740
Change in fund balances	1,660	39,287	(96,537)	4,240	(51,350)
Fund balances beginning	26,228	352,379	256,757	57,265	692,629
Fund balances ending	\$ 27,888	\$ 391,666	\$ 160,220	\$ 61,505	\$ 641,279

STATE AND FEDERAL
AWARD COMPLIANCE
SECTION

**SAN BRUNO PARK SCHOOL DISTRICT
ORGANIZATION
FOR THE YEAR ENDED JUNE 30, 2014**

The San Bruno Park School District serves approximately 2,600 students and is located in San Mateo County in San Bruno, California. There were no changes in boundaries during the current year. The District currently operates six K-5 elementary schools, and one 6-8 middle school.

Governing Board

Name	Office	Term Expires
Patrick J. Flynn	President	2017
Kevin Martinez	Vice President	2015
Jennifer M. Blanco	Clerk	2015
Henry Sanchez	Representative	2017
John Marinos	Member-at-Large	2017

Administration

David E. Hutt, ED, D.
Superintendent

**SAN BRUNO PARK SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Second Period Report	Annual Report
Elementary:		
Grades TK/K through three	1,252	1,247
Grades four through six	869	867
Grades seven and eight	549	548
Special education	20	19
ADA Totals	2,690	2,681

**SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME OFFERED
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Grade Level	1982-83	Reduced 1982-83	1986-87	Reduced 1986-87	2013-14 Actual Minutes	Number of Days	Number of Days	Status
	Actual Minutes	Actual Minutes	Minutes Requirements	Minutes Requirements		Traditional Calendar	Multitrack Calendar	
Kindergarten	32,040	31,150	36,000	35,000	35,000	178	0	In compliance
Grade 1	48,060	46,725	50,400	49,000	49,025	178	0	In compliance
Grade 2	48,060	46,725	50,400	49,000	49,025	178	0	In compliance
Grade 3	48,060	46,725	50,400	49,000	49,025	178	0	In compliance
Grade 4	54,290	52,782	54,000	52,500	52,955	178	0	In compliance
Grade 5	54,290	52,782	54,000	52,500	52,955	178	0	In compliance
Grade 6	54,290	52,782	54,000	52,500	60,335	178	0	In compliance
Grade 7	54,290	52,782	54,000	52,500	60,335	178	0	In compliance
Grade 8	54,290	52,782	54,000	52,500	60,335	178	0	In compliance

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 46208. School districts that have met their LCFF targets or have not met their LCFF targets, but received longer day and year incentive funding, can not provide less than the 1986-87 minutes requirements; reduced by 5 days for fiscal years 2013-14 and 2014-15. There is no longer a requirement to offer minutes offered in 1982-83 for districts that exceeded the minutes listed in the statute and met their LCFF target, or districts that received incentive funding for longer instructional day and year, or for a district that did not meet its LCFF target and participated in the longer day incentive but not the longer year incentive.

The District met its LCFF target and has received incentive funding for increasing instructional time as provided by the incentives for longer instructional day and year. Therefore, the District was required to meet the 1986-87 minutes requirements reduced by 5 days for the 2013-14 fiscal year.

**SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	(Budget ¹) 2015	2014	2013	2012
<u>General Fund</u>				
Revenues and other financial sources	\$ 22,551,989	\$ 22,582,556	\$ 27,283,268	\$ 21,374,172
Expenditures	24,176,515	24,192,452	23,014,957	22,183,267
Other uses and transfers out	363,002	29,740	7,343,002	-
Total outgo	24,539,517	24,222,192	30,357,959	22,183,267
Change in fund balance	\$ (1,987,528)	\$ (1,639,636)	\$ (3,074,691)	\$ (809,095)
Ending fund balance	\$ 3,719,727	\$ 5,707,255	\$ 7,346,891	\$ 10,421,582
Available reserves ⁽²⁾	\$ 1,364,486	\$ 2,427,970	\$ 1,607,587	\$ 5,642,700
Unassigned - Reserved for economic uncertainties	\$ 1,156,397	\$ 1,152,976	\$ 690,449	\$ 962,601
Unassigned fund balance	\$ 208,089	\$ 1,274,994	\$ 917,938	\$ 4,680,099
Available reserves as a percentage of total outgo	5.6%	10.0%	5.3%	25.4%
Total long-term liabilities	\$ 28,100,003	\$ 30,973,471	\$ 32,423,098	\$ 34,895,539
Average daily attendance at P-2	2,741	2,690	2,611	2,546

Average daily attendance has increased by 144 since 2012. The district anticipates an increase of 51 ADA during the 2015 fiscal year.

The general fund balance has decreased by \$4,714,327 since 2012. 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 the past three years. Total long-term liabilities have decreased by \$3,922,068 over the past three years, due to principle payments made on bonds issued in prior years.

¹ Budget numbers are based on the adopted budget of the fiscal year 2014/15

² Available reserves ⁽²⁾ consist 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, 2014**

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		13391	\$ 514,896
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>514,896</u>
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	(1)	13379	441,849
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027	(1)	13682	30,949
IDEA Preschool Grants, Part B, Sec 619	84.173	(1)	13430	16,641
<i>Total Special Education Cluster</i>				<u>489,439</u>
<i>Title I, Part A Cluster</i>				
NCLB - Title I Basic Grant	84.010		14329	236,172
NCLB - Title I Program Improvement LEA Correction Action	84.010		14957	639
Professional Learning Modules for Common Core Implementation	84.010		01761	165,730
<i>Total Title I, Part A Cluster</i>				<u>402,541</u>
<i>Title II Cluster</i>				
NCLB - Title II, Part A, Improving Teacher Quality Local Grants	84.367		14341	47,118
NCLB - Title II, Part A, Administrator Training	84.367		14344	250
<i>Total Title II Cluster</i>				<u>47,368</u>
<i>Title III Cluster</i>				
NCLB - Title III Immigrant Education Program	84.365		15146	22,719
NCLB - Title III Limited English Proficient (LEP) Student Program	84.365		14346	78,098
<i>Total Title III Cluster</i>				<u>100,817</u>
TOTAL U. S. DEPARTMENT OF EDUCATION				<u>1,040,165</u>
TOTAL FEDERAL PROGRAMS				<u>\$ 1,555,061</u>

(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, 2014**

	General Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds
June 30, 2014 Annual Financial and Budget Report Fund Balances	\$ 3,294,869	\$ 439,614	\$ 2,388,001	\$ 3,216,509	\$ 3,053,665
Adjustments and Reclassifications:					
Special Reserve Fund for Other Than Capital Outlay Projects:					
Cash and investments	356,572	-	-	-	(356,572)
Accounts receivable	630	-	-	-	(630)
Due from other funds	70,000	-	-	-	(70,000)
Special Reserve Fund for Other Postemployment Benefits:					
Cash and investments	1,982,212	-	-	-	(1,982,212)
Accounts receivable	2,972	-	-	-	(2,972)
June 30, 2014 Audited Financial Statements Fund Balances	<u>\$ 5,707,255</u>	<u>\$ 439,614</u>	<u>\$ 2,388,001</u>	<u>\$ 3,216,509</u>	<u>\$ 641,279</u>

**SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF EXCESS SICK LEAVE
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014**

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 received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and Longer Instructional Year. 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, 2014, 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 November 28, 2014.

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. We did identify a deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency: see finding 2014-1.

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*.

San Bruno Park School District's Response to Finding

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

Purpose of this Report

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

C & A LLP

November 28, 2014
San Jose, California



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees
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, 2014. 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 June 30, 2014.

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 OMB 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.

The purpose of this report is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of San Bruno Park School District as of and for the year ended June 30, 2014, and have issued our report thereon dated November 28, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

C & A LLP

November 28, 2014
San Jose, California



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

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

Compliance

We have audited the San Bruno Park School District's (the District) compliance with the types of State compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*, published by the Education Audit Appeals Panel, for the year ended June 30, 2014. The applicable State compliance requirements are identified in the table below.

Management’s Responsibility

Compliance with the requirements referred to above is the responsibility of the District’s management.

Auditor’s Responsibility

Our responsibility is to express an opinion on the District’s compliance with the State laws and regulations based on our audit. 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*, published by the Education Audit Appeals Panel. Those standards and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with those requirements.

In connection with the 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 for School Districts	10	10
Instructional Materials - General Requirements	8	8



<u>Description</u>	<u>Procedures in the Audit Guide</u>	<u>Procedures Performed</u>
Ratios of Administrative Employees to Teachers	1	1
Classroom Teacher Salaries	1	1
Early Retirement Incentive	4	Not applicable
Gann Limit Calculation	1	1
School Accountability Report Card	3	3
Juvenile Courts	8	Not applicable
Local Control Funding Formula Certification	1	1
California Clean Energy Job Acts	3	3
After School Education and Safety Program:		
General Requirements	4	4
After School	5	5
Before School	6	Not applicable
Education Protection Account Funds	1	1
Common Core Implementation Funds	3	3
Unduplicated Local Control Funding Formula Pupil Counts	3	3
Charter Schools:		
Contemporaneous Records of Attendance	8	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
Charter School Facility Grant Program	1	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.

Opinion

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, 2014.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing over compliance and the results of that testing based on the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*. Accordingly, this report is not suitable for any other purpose.

C & A LLP

November 28, 2014
 San Jose, California

FINDINGS AND
RECOMMENDATIONS

**SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses?	___ Yes <u> x </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u> x </u> Yes ___ 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>Unmodified</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>
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec 611
84.027	IDEA Preschool Local Entitlement, Part B, Sec 611
84.173	IDEA Preschool Grants, Part B, Sec 619

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>Unmodified</u>
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**SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section II – Financial Statement Findings

Finding 2014-3; 20000 – Capital Assets Inventory

Criteria or Specific Requirements

District fixed asset policies require the capitalization and annual depreciation of capital assets with a current value of \$5,000. The District must maintain current, auditable asset listings to support the amount reported on the Government-Wide Statement of Net Position. Physical inventory counts should be performed every two years to verify accuracy of asset listing and valuations.

Condition

During our audit of the financial statements of the District, we determined that no recent physical inventory had been performed. Additionally, the District does not account for assets in a timely fashion by recording all additions and deletions to the inventory listing as they occur. Instead, the District reconciles and records additions and deletions annually after the close of the year.

Questioned Costs

None.

Context

Governmental accounting standards require property, plant and equipment to be inventoried and valued every two years for a District this size.

Effect

Without completing regular physical inventory observations, the District does not have control over equipment and other assets. Items missing or otherwise no longer in use, may not come to the attention of District personnel unless a physical inventory is performed to confirm the amounts listed on the inventory exist and are in use by the District.

Cause

The District's policies do not require the performance of an annual physical inventory of capital assets. In addition, policies do not require asset inventory records be maintained contemporaneously.

Recommendation

We recommend the District implement procedures that ensure the capital asset list is verified by performing annual physical inventories. It may not be necessary to conduct the inventory each year for every site, however, the procedures should ensure that during a two year cycle, all District sites have performed a physical inventory. Differences between the asset lists and the actual inventory observation should be reviewed and the asset lists corrected based on the physical inventory.

District Response

The District agrees with the findings and recommendation. Staff will investigate and obtain the services of an inventory, fixed assets system provider and assure that physical inventories are conducted as recommended.

**SAN BRUNO PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014**

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.