



SANTEE SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

SANTEE SCHOOL DISTRICT

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FINANCIAL SECTION

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Santee School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Notes 1 and 15 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 12, and the budgetary comparison, other postemployment benefit information, District's proportionate share of the net pension liability, and the District contributions on pages 66 through 70, respectively, 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 the Santee School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and 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 supplementary information as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information and other supplementary information as listed on 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 accompanying supplementary information, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015, on our consideration of the Santee 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 Santee School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 14, 2015



Santee School District

SCHOOLS:

Cajon Park
Carlton Hills
Carlton Oaks
Chet F. Harritt
Hill Creek
Pepper Drive
PRIDE Academy
at Prospect Avenue
Rio Seco
Sycamore Canyon
Alternative
Success Program

This section of Santee School District's (the District) (2014-2015) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015, with comparative information from 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including infrastructure), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, business-type, and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Business-Type Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The Primary unit of the government is the Santee School District.

SANTEE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The District continues to focus on its Fiscal Accountability Goal to: Financially support the vision, mission, and goals of the District by maximizing resources, controlling expenses, and managing assets to ensure fiscal solvency and flexibility. In addition, the District continues its emphasis on increasing or improving services for students in accordance with its Local Control Accountability Plan. For 2014-2015 fiscal year, the District ended the year with an operating deficit in the Unrestricted General Fund, largely due to one-time expenditures. The District continues to monitor budget and economic assumptions and conditions in order to proactively respond to changing circumstances and ensure the District maintains solvency and flexibility while providing the highest quality educational program.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in them. Net position is the difference between assets and deferred outflows and liabilities and deferred inflows, which is one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade eight, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

Business-Type Activities - The District charges fees to help it cover the costs of certain services it provides. The District's Project SAFE and YALE programs and services are included here.

SANTEE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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 near future to finance the District's programs.

The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Fiduciary Funds - Statement of Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SANTEE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$22,739,150 for the fiscal year ended June 30, 2015. Of this amount, (\$46,995,303) was unrestricted. The restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use the net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's activities.

Table 1

	Governmental Activities		Business-Type Activities		Total School District Activities	
	2015	as Restated 2014	2015	2014	2015	as Restated 2014
Assets						
Current and other assets	\$ 30,571,254	\$ 25,358,584	\$ 710,789	\$ 253,558	\$ 31,282,043	\$ 25,612,142
Capital assets	125,758,928	128,050,897	-	-	125,758,928	128,050,897
Total Assets	156,330,182	153,409,481	710,789	253,558	157,040,971	153,663,039
Deferred Outflows of Resources	3,325,034	2,927,019	-	-	3,325,034	2,927,019
Liabilities						
Current liabilities	1,850,251	1,875,425	30,169	16,380	1,880,420	1,891,805
Long-term obligations	84,080,619	83,043,863	-	-	84,080,619	83,043,863
Aggregate net pension liability	40,799,035				40,799,035	-
Total Liabilities	126,729,905	84,919,288	30,169	16,380	126,760,074	84,935,668
Deferred Inflows of Resources	10,866,781	51,039,705	-	-	10,866,781	51,039,705
Net Position						
Net investment in capital assets	55,900,903	54,450,411	-	-	55,900,903	54,450,411
Restricted	13,833,550	7,943,758	-	-	13,833,550	7,943,758
Unrestricted	(47,675,923)	(42,016,662)	680,620	237,178	(46,995,303)	(41,779,484)
Total Net Position	\$ 22,058,530	\$ 20,377,507	\$ 680,620	\$ 237,178	\$ 22,739,150	\$ 20,614,685

The (\$46,995,303) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations.

SANTEE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 14. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities		Business-Type Activities		Total School District Activities	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 756,573	\$ 628,013	\$ -	\$ -	\$ 756,573	\$ 628,013
Operating grants and contributions	8,594,529	9,734,694	-	-	8,594,529	9,734,694
Capital grants and contributions	1,064,410	67,016	-	-	1,064,410	67,016
General revenues:						
Federal and State aid	32,250,287	28,786,437	-	-	32,250,287	28,786,437
Property taxes	14,601,082	13,179,613	-	-	14,601,082	13,179,613
Other general revenues	7,174,167	2,651,589	2,812,710	2,623,498	9,986,877	5,275,087
Total Revenues	64,441,048	55,047,362	2,812,710	2,623,498	67,253,758	57,670,860
Expenses						
Instruction	37,796,553	33,783,927	-	-	37,796,553	33,783,927
Instruction-related	5,508,921	5,040,283	-	-	5,508,921	5,040,283
Pupil services	5,748,318	5,483,023	-	-	5,748,318	5,483,023
Administration	3,862,216	3,249,025	-	-	3,862,216	3,249,025
Plant services	5,536,850	5,323,387	-	-	5,536,850	5,323,387
Community services	261,778	240,916	-	-	261,778	240,916
Enterprises	10,143	-	-	-	10,143	-
Other	4,055,416	3,980,446	2,349,098	2,301,840	6,404,514	6,282,286
Total Expenses	62,780,195	57,101,007	2,349,098	2,301,840	65,129,293	59,402,847
Transfers	20,170	111,883	(20,170)	(111,883)	-	-
Change in Net Position	\$ 1,681,023	\$(1,941,762)	\$ 443,442	\$ 209,775	\$ 2,124,465	\$ (1,731,987)

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$62,780,195. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$14,601,082 because the cost was paid by those who benefited from the programs (\$756,573) or by other governments and organizations who subsidized certain programs with grants and contributions (\$9,658,939). We paid for the remaining "public benefit" portion of our governmental activities with \$39,424,454 in State funds and other revenues, like interest and general entitlements.

SANTEE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

In Table 3, we have presented the cost of all our governmental activities by function: instruction, instruction-related services, pupil services, administration, plant services, community services and other outgo, as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table 3

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$37,796,553	\$33,783,927	\$ 31,482,536	\$ 27,800,999
Instruction-related services	5,508,921	5,040,283	5,091,660	4,636,626
Pupil services	5,748,318	5,483,023	3,066,206	2,913,408
Administration	3,862,216	3,249,025	3,441,982	2,580,616
Plant services	5,536,850	5,323,387	5,234,478	5,280,224
Community services	261,778	240,916	128,717	226,701
Enterprises	10,143	-	9,751	-
Other	4,055,416	3,980,446	3,909,353	3,232,710
Total	\$62,780,195	\$57,101,007	\$ 52,364,683	\$ 46,671,284

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$29,625,549, which is an increase of \$5,233,524 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2014	Revenues	Expenditures	June 30, 2015
General Fund	\$ 14,678,932	\$ 52,327,745	\$ 53,472,307	\$ 13,534,370
Cafeteria Fund	647,918	2,425,471	2,370,228	703,161
Capital Facilities	901,397	5,534,184	548,268	5,887,313
Non-Major Governmental Funds	8,163,778	5,826,781	4,489,854	9,500,705
Total	\$ 24,392,025	\$ 66,114,181	\$ 60,880,657	\$ 29,625,549

The primary reason for the increase is:

- A. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased from \$14,678,932 to \$13,534,370.

SANTEE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had \$125,758,928 in a broad range of capital assets (net of depreciation), including land, construction, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$2,291,969, or (1.8) percent, from last year (Table 5). We present more detailed information about our capital assets in Note 4 to the financial statements.

Table 5

	Governmental Activities	
	2015	2014
Land	\$ 8,547,242	\$ 8,547,242
Construction in progress	9,039,494	8,391,964
Buildings and improvements	106,438,537	109,406,663
Furniture and equipment	1,733,655	1,705,028
Total	\$ 125,758,928	\$ 128,050,897

Long-Term Obligations

Long-term obligations include general obligation bonds, certificates of participation, accumulated vacation, postemployment benefits, and the Qualified Zone Academy Bond (QZAB). We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

Table 6

	Governmental Activities	
	2015	2014
General obligation bonds (financed with property taxes)	\$ 49,949,826	\$ 49,031,966
Premium on general obligation bond	1,272,138	1,331,204
Certificates of participation	25,558,424	25,683,776
Accumulated vacation - net	209,236	224,718
Qualified Zone Academy Bond (QZAB)	5,000,000	5,000,000
OPEB obligation, net	2,090,995	1,772,199
Total	\$ 84,080,619	\$ 83,043,863

Net Pension Liability (NPL)

As of June 30, 2015, the District's net pension liability is \$40.8 million. This is a new liability included in the District's financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68. The District also includes the projected increased cost for funding required contributions to the State Teachers Retirement System (STRS) and Public Employees Retirement System (PERS) in its General Fund multi-year planning.

SANTEE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Karl Christensen, Assistant Superintendent, Business Services, at Santee School District, 9625 Cuyamaca Street, Santee, California, 92071, or e-mail at karl.christensen@santeesd.net.

SANTEE SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 23,369,739	\$ 807,331	\$ 24,177,070
Receivables	6,593,343	40,173	6,633,516
Internal balances	136,715	(136,715)	-
Prepaid expenditures	375,869	-	375,869
Stores inventories	95,588	-	95,588
Capital assets			
Land and construction in progress	17,586,736	-	17,586,736
Other capital assets	140,381,707	-	140,381,707
Less: accumulated depreciation	(32,209,515)	-	(32,209,515)
Total Capital Assets	<u>125,758,928</u>	<u>-</u>	<u>125,758,928</u>
TOTAL ASSETS	<u>156,330,182</u>	<u>710,789</u>	<u>157,040,971</u>
DEFERRED OUTFLOWS OF RESOURCES			
Current year pension contribution	<u>3,325,034</u>	<u>-</u>	<u>3,325,034</u>
LIABILITIES			
Accounts payable	569,497	30,169	599,666
Interest payable	904,546	-	904,546
Due to other governments	267,256	-	267,256
Unearned revenue	108,952	-	108,952
Long-term obligations:			
Current portion of long-term obligations other than pensions	729,221	-	729,221
Noncurrent portion of long-term obligations other than pensions	<u>83,351,398</u>	<u>-</u>	<u>83,351,398</u>
Total Long-Term Obligations	<u>84,080,619</u>	<u>-</u>	<u>84,080,619</u>
Aggregate net pension liability	<u>40,799,035</u>	<u>-</u>	<u>40,799,035</u>
TOTAL LIABILITIES	<u>126,729,905</u>	<u>30,169</u>	<u>126,760,074</u>
DEFERRED INFLOWS OF RESOURCES			
Difference between projected and actual earnings on pension plan investments	<u>10,866,781</u>	<u>-</u>	<u>10,866,781</u>
NET POSITION			
Net investment in capital assets	55,900,903	-	55,900,903
Restricted for:			
Debt service	5,698,665	-	5,698,665
Capital projects	6,795,653	-	6,795,653
Educational programs	1,339,232	-	1,339,232
Unrestricted	<u>(47,675,923)</u>	<u>680,620</u>	<u>(46,995,303)</u>
TOTAL NET POSITION	<u>\$ 22,058,530</u>	<u>\$ 680,620</u>	<u>\$ 22,739,150</u>

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

SANTEE SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 37,796,553	\$ 18,445	\$ 5,231,162	\$ 1,064,410
Instruction-related activities:				
Supervision of instruction	875,649	-	258,921	-
Instructional library, media, and technology	1,610,847	1,937	118,030	-
School site administration	3,022,425	-	38,373	-
Pupil services:				
Home-to-school transportation	1,165,223	-	-	-
Food services	2,479,683	620,331	1,490,733	-
All other pupil services	2,103,412	-	571,048	-
General administration:				
Data processing	943,186	4,466	15,425	-
All other general administration	2,919,030	30,363	369,980	-
Plant services	5,536,850	18,373	283,999	-
Community services	261,778	29,865	103,196	-
Enterprise services	10,143	-	392	-
Interest on long-term obligations	4,055,416	-	-	-
Other outgo	-	32,793	113,270	-
Total Governmental Activities	62,780,195	756,573	8,594,529	1,064,410
Business-Type Activities				
Project Safe and YALE Enterprise	2,349,098	-	857,413	-
Total School District	\$ 65,129,293	\$ 756,573	\$ 9,451,942	\$ 1,064,410

General revenues and subventions:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Taxes levied for other specific purposes
- Federal and State aid not restricted to specific purposes
- Interest and investment earnings
- Miscellaneous
- Internal transfers

Subtotal, General Revenues

Change in Net Position

- Net Position - Beginning
- Prior Period Adjustment
- Net Assets Beginning, as restated
- Net Position - Ending

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

**Net (Expenses) Revenues and
Changes in Net Position**

Governmental Activities	Business-Type Activities	Total
\$ (31,482,536)	\$ -	\$ (31,482,536)
(616,728)	-	(616,728)
(1,490,880)	-	(1,490,880)
(2,984,052)	-	(2,984,052)
(1,165,223)	-	(1,165,223)
(368,619)	-	(368,619)
(1,532,364)	-	(1,532,364)
(923,295)	-	(923,295)
(2,518,687)	-	(2,518,687)
(5,234,478)	-	(5,234,478)
(128,717)	-	(128,717)
(9,751)	-	(9,751)
(4,055,416)	-	(4,055,416)
146,063	-	146,063
<u>(52,364,683)</u>	<u>-</u>	<u>(52,364,683)</u>
-	(1,491,685)	(1,491,685)
<u>(52,364,683)</u>	<u>(1,491,685)</u>	<u>(53,856,368)</u>
12,380,448	-	12,380,448
1,924,641	-	1,924,641
295,993	-	295,993
32,250,287	-	32,250,287
59,810	2,140	61,950
7,114,357	1,953,157	9,067,514
20,170	(20,170)	-
<u>54,045,706</u>	<u>1,935,127</u>	<u>55,980,833</u>
1,681,023	443,442	2,124,465
68,490,193	237,178	68,727,371
(48,112,686)	-	(48,112,686)
<u>20,377,507</u>	<u>237,178</u>	<u>20,614,685</u>
<u>\$ 22,058,530</u>	<u>\$ 680,620</u>	<u>\$ 22,739,150</u>

SANTEE SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

	General Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	\$ 11,297,166	\$ 504,478	\$ 2,150,969	\$ 9,417,126	\$ 23,369,739
Receivables	2,488,630	277,064	3,771,466	56,183	6,593,343
Due from other funds	297,192	5,293	1,800	124,265	428,550
Prepaid expenditures	375,869	-	-	-	375,869
Stores inventories	46,850	48,738	-	-	95,588
Total Assets	\$ 14,505,707	\$ 835,573	\$ 5,924,235	\$ 9,597,574	\$ 30,863,089
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 463,771	\$ 22,432	\$ 23,530	\$ 59,764	\$ 569,497
Due to other funds	131,358	109,980	13,392	37,105	291,835
Due to other governments	267,256	-	-	-	267,256
Unearned revenue	108,952	-	-	-	108,952
Total Liabilities	971,337	132,412	36,922	96,869	1,237,540
Fund Balances:					
Nonspendable	437,719	48,738	-	-	486,457
Restricted	684,398	654,423	5,554,314	7,844,961	14,738,096
Assigned	3,959,407	-	332,999	1,379,288	5,671,694
Unassigned	8,452,846	-	-	276,456	8,729,302
Total Fund Balances	13,534,370	703,161	5,887,313	9,500,705	29,625,549
Total Liabilities and Fund Balances	\$ 14,505,707	\$ 835,573	\$ 5,924,235	\$ 9,597,574	\$ 30,863,089

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

SANTEE SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Fund Balance - Governmental Funds		\$ 29,625,549
Amounts Reported for Governmental Activities 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.		
The cost of capital assets is the following	\$ 157,968,443	
Accumulated depreciation is the following	<u>(32,209,515)</u>	
Net Capital Assets		125,758,928
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		
		3,325,034
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		
		(904,546)
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		
		(10,866,781)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(40,799,035)
Long-term obligations at year-end consist of:		
General obligation bonds	49,949,826	
Unamortized bond premium	1,272,138	
Certificates of participation	25,558,424	
Accumulated vacation	209,236	
Qualified Zone Academy Bond (QZAB)	5,000,000	
Other Postemployment Benefits (OPEB)	<u>2,090,995</u>	
Total Long-Term Obligations		<u>(84,080,619)</u>
Total Net Position - Governmental Activities		<u>\$ 22,058,530</u>

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

SANTEE SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Local Control Funding Formula	\$ 42,420,345	\$ -	\$ -	\$ 535,000	\$ 42,955,345
Federal sources	2,488,273	1,642,233	-	-	4,130,506
Other State sources	2,397,052	113,741	-	1,318,762	3,829,555
Other local sources	4,988,514	664,204	364,684	2,338,740	8,356,142
Total Revenues	52,294,184	2,420,178	364,684	4,192,502	59,271,548
EXPENDITURES					
Current					
Instruction	36,271,988	-	-	198,190	36,470,178
Instruction-related activities:					
Supervision of instruction	837,700	-	-	21,020	858,720
Instructional library, media, and technology	1,043,391	-	-	-	1,043,391
School site administration	2,859,402	-	-	-	2,859,402
Pupil services:					
Home-to-school transportation	1,076,038	-	-	-	1,076,038
Food services	-	2,229,405	-	-	2,229,405
All other pupil services	2,027,409	-	-	-	2,027,409
Administration:					
Data processing	722,318	-	-	-	722,318
All other administration	2,651,242	89,941	27,534	9,360	2,778,077
Plant services	4,333,237	50,882	-	386,169	4,770,288
Facility acquisition and construction	239,892	-	265,165	302,775	807,832
Community services	257,950	-	-	-	257,950
Debt service					
Principal	-	-	-	629,336	629,336
Interest and other	-	-	-	2,696,958	2,696,958
Total Expenditures	52,320,959	2,370,228	292,699	4,243,808	59,227,694
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,775)	49,950	71,985	(51,306)	43,854
Other Financing Sources (Uses)					
Transfers in	33,561	5,293	-	1,634,279	1,673,133
Other sources	-	-	5,169,500	-	5,169,500
Transfers out	(1,151,348)	-	(255,569)	(246,046)	(1,652,963)
Net Financing Sources (Uses)	(1,117,787)	5,293	4,913,931	1,388,233	5,189,670
NET CHANGE IN FUND BALANCES	(1,144,562)	55,243	4,985,916	1,336,927	5,233,524
Fund Balances - Beginning	14,678,932	647,918	901,397	8,163,778	24,392,025
Fund Balances - Ending	\$ 13,534,370	\$ 703,161	\$ 5,887,313	\$ 9,500,705	\$ 29,625,549

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

SANTEE SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds **\$ 5,233,524**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which depreciation exceeds capital outlay in the period:

Capital Outlay	\$ 1,149,067	
Depreciation expense	<u>(3,441,036)</u>	
Net Expense Adjustment		(2,291,969)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) is measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned by \$15,482.

15,482

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.

(228,096)

In governmental funds, repayments of long-term obligations are reported as expenditures. In the government-wide financial statements, repayments of long-term obligations are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term obligations were:

General obligation bonds	430,000
Certificates of participation	200,000

In the governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide financial statements, issue costs are amortized over the life of the debt. The issue costs amortized for the period were:

Amortization of debt premium	59,066
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The accompanying notes are an integral part of these financial statements.

SANTEE SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2015

In the governmental funds, interest is recorded as an expenditure in the funds when it becomes 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. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds and certificates of participation decreased by \$4,320, and second, General obligation bonds and certificates of participation reported an additional \$1,422,508 of accreted interest in the current fiscal year.

\$ (1,418,188)

In the Statement of Activities, Other Postemployment Benefits (OPEB) obligations are measured by an actuarially determined Annual Required Contribution (ARC). In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed toward the OPEB obligation were less than the ARC by \$318,796.

(318,796)

Change in Net Position of Governmental Activities

\$ 1,681,023

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

SANTEE SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2015

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
ASSETS	
Current Assets	
Deposits and investments	\$ 807,331
Receivables	40,173
Total Current Assets	<u>847,504</u>
 LIABILITIES	
Current Liabilities	
Accounts payable	30,169
Due to other funds	136,715
Total Current Liabilities	<u>166,884</u>
 NET POSITION	
Restricted	<u>\$ 680,620</u>

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

SANTEE SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities
	Enterprise Fund
OPERATING REVENUES	
Local and intermediate sources	\$ 2,810,568
OPERATING EXPENSES	
Payroll costs	2,052,289
Supplies and materials	121,919
Facility rental	7,880
Other operating cost	167,008
Total Operating Expenses	2,349,096
Operating Income	461,472
NONOPERATING REVENUES	
Interest income	2,140
Income Before Transfers	463,612
Transfers Out	(20,170)
Change in Net Position	443,442
Total Net Position - Beginning	237,178
Total Net Position - Ending	\$ 680,620

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

SANTEE SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2015

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 2,817,440
Cash payments for other operating expenses	<u>(2,482,629)</u>
Net Cash Provided by Operating Activities	<u>334,811</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Transfers out to other funds	<u>(20,169)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>2,140</u>
Net Increase in Cash and Cash Equivalents	316,782
Cash and Cash Equivalents - Beginning	<u>490,549</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 807,331</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 461,472
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Receivables	6,872
Accounts payable	13,788
Due to other fund	<u>(147,321)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 334,811</u></u>

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

SANTEE SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	<u>\$ 21,871</u>
LIABILITIES	
Due to student groups	<u>\$ 21,871</u>

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

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Santee School District (the District) was organized in 1893, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-8 as mandated by the State and/or Federal agencies. The District operates one K-6 elementary school, eight K-8 elementary schools, and an alternative school program.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Santee School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As the District has not taken formal action to commit the flexed revenue formerly restricted to this program to the continued operation of the original programs, the revenue within this fund would be considered to be available for general educational purposes, resulting in Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects being combined with the General Fund for presentation in these audited financial statements.

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

As a result, the General Fund reflects an increase in assets, revenues, and fund balance of \$3,474,147, \$12,183, and \$3,474,147, respectively.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Capital Project Funds The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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

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

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Debt Service Fund for Blended Component Units The Debt Service Fund for Blended Component Units is used for the repayment of certificates of participation and qualified zone academy bonds issued by the District.

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has no internal service funds and the following enterprise fund:

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the Project SAFE and YALE Programs of the District.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide *Statement of Activities* presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental function, and exclude fiduciary activity. 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*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the *Statement of Net Position*. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on 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 that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However to achieve comparability of reporting among California District's and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for District's as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds, but are recognized in the government-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the Statement of Cash Flows.

Investments

Investments held at June 30, 2015, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the County investment pool are determined by the program sponsor.

Prepaid Expenditures

Prepaid expenditures represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental-type funds.

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide *Statement of Net Position*. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables".

Compensated Absences

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Accrued Liabilities and Long-Term Obligations

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

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for current year pension contributions.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

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

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position 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. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$13,833,550 of restricted net position.

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are Project SAFE and YALE. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

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

Estimates

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

Budgetary Data

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

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

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. 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 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014 by \$48,112,686. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No., 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 23,369,739
Business-type activities	807,331
Fiduciary funds	<u>21,871</u>
Total Deposits and Investments	<u>\$ 24,198,941</u>

Deposits and investments as of June 30, 2015, consisted of the following:

Cash on hand and in banks	\$ 376,634
Cash in revolving	15,000
Investments	<u>23,807,307</u>
Total Deposits and Investments	<u>\$ 24,198,941</u>

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.

Investment 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.

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the San Diego County Investment Pool.

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date</u>
U.S. Treasuries	\$ 4,548,893	11/15/2020
Certificates of Deposit	2,041,161	4/10/2017
Money Market Mutual Funds	18,323	N/A
San Diego County Investment Pool	17,195,322	356*
Total	<u>\$ 23,803,699</u>	

*Weighted average days to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the U.S. Treasuries, Certificates of Deposit, and San Diego County Investment Pool are not required to be rated, nor have they been rated as of June 30, 2015.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (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 agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance of \$11,654 was exposed to risk.

SANTEE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Federal Government						
Categorical aid	\$ 1,678,531	\$ 269,111	\$ -	\$ -	\$ 1,947,642	\$ -
State Government						
Categorical aid	27,311	7,583	-	34,002	68,896	-
Lottery	561,223	-	-	-	561,223	-
Proceeds from Sale/Lease purchase of land and buildings	-	-	3,769,500	-	3,769,500	-
Other local sources	221,565	370	1,966	22,181	246,082	40,173
Total	<u>\$ 2,488,630</u>	<u>\$ 277,064</u>	<u>\$ 3,771,466</u>	<u>\$ 56,183</u>	<u>\$ 6,593,343</u>	<u>\$ 40,173</u>

SANTEE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 8,547,242	\$ -	\$ -	\$ 8,547,242
Construction in progress	8,391,964	716,691	69,161	9,039,494
Total Capital Assets Not Being Depreciated	16,939,206	716,691	69,161	17,586,736
Capital Assets Being Depreciated				
Land improvements	4,139,296	213,113	-	4,352,409
Buildings and improvements	128,765,122	14,526	-	128,779,648
Furniture and equipment	6,975,752	273,898	-	7,249,650
Total Capital Assets Being Depreciated	139,880,170	501,537	-	140,381,707
Total Capital Assets	156,819,376	1,218,228	69,161	157,968,443
Less Accumulated Depreciation				
Land improvements	2,737,860	110,442	-	2,848,302
Buildings and improvements	20,759,895	3,085,323	-	23,845,218
Furniture and equipment	5,270,724	245,271	-	5,515,995
Total Accumulated Depreciation	28,768,479	3,441,036	-	32,209,515
Governmental Activities Capital Assets, Net	\$ 128,050,897	\$ (2,222,808)	\$ 69,161	\$ 125,758,928

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 960,042
Instructional library, media, and technology	556,896
School site administration	134,447
Home-to-school transportation	79,585
Food services	241,503
All other pupil services	54,729
All other administration	108,781
Data processing	217,297
Plant services	1,087,756
Total Depreciation Expenses Governmental Activities	\$ 3,441,036

SANTEE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2015, between major and non-major governmental funds and non-major enterprise funds are as follows:

Due To	Due From					Total
	General Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Enterprise Fund	
General Fund	\$ -	\$ 109,980	\$ 13,392	\$ 37,105	\$ 136,715	\$ 297,192
Cafeteria Fund	5,293	-	-	-	-	5,293
Capital Facilities Fund	1,800	-	-	-	-	1,800
Non-Major Governmental Funds	124,265	-	-	-	-	124,265
Total	\$ 131,358	\$ 109,980	\$ 13,392	\$ 37,105	\$ 136,715	\$ 428,550

Interfund receivable and payable balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

SANTEE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Operating Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfer To	Transfer From				Total
	General Fund	Capital Facilities Fund	Enterprise Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 13,391	\$ 20,170	\$ -	\$ 33,561
Cafeteria Fund	5,293	-	-	-	5,293
Non-Major Governmental Funds	1,146,055	242,178	-	246,046	1,634,279
Total	\$ 1,151,348	\$ 255,569	\$ 20,170	\$ 246,046	\$ 1,673,133

The General Fund transferred to the Cafeteria Fund to cover costs.	\$ 5,293
The General Fund transferred to the Non-Major Governmental COP Debt Service Fund for debt service payments.	1,021,790
The General Fund transferred to the Non-Major Governmental Special Reserve Fund for Capital Outlay Projects for debt service payments.	124,265
The Capital Facilities Fund transferred to the Non-Major Governmental COP Debt Service Fund for debt service payments.	242,178
The Capital Facilities Fund transferred to the General Fund for turf field costs.	13,391
The Enterprise Fund transferred to the General Fund to pay annual lease payment for portable buildings.	20,170
The Non-Major Governmental Special Reserve for Capital Outlay Projects Fund transferred to the Non-Major Governmental COP Debt Service Fund for debt service payments.	246,046
Total	\$ 1,673,133

SANTEE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Vendor payables	\$ 127,067	\$ 12,218	\$ -	\$ 58,892	\$ 198,177	\$ 6,849
State apportionment	267,256	-	-	-	267,256	-
Salaries and benefits	333,704	10,214	-	872	344,790	23,320
Construction	3,000	-	23,530	-	26,530	-
Total	<u>\$ 731,027</u>	<u>\$ 22,432</u>	<u>\$ 23,530</u>	<u>\$ 59,764</u>	<u>\$ 836,753</u>	<u>\$ 30,169</u>

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consisted of the following:

	General Fund
State categorical aid	\$ 1,447
Other local	107,505
Total	<u>\$ 108,952</u>

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance			Balance	Due in
	July 1, 2014	Additions	Deductions	June 30, 2015	One Year
General Obligation Bonds	\$49,031,966	\$ 1,347,860	\$ 430,000	\$49,949,826	\$ 509,221
Premium on bonds	1,331,204	-	59,066	1,272,138	-
Certificates of participation	25,683,776	74,648	200,000	25,558,424	220,000
Accumulated vacation - net	224,718	-	15,482	209,236	-
Qualified Zone Academy Bond	5,000,000	-	-	5,000,000	-
OPEB Obligation, net	1,772,199	1,302,587	983,791	2,090,995	-
	<u>\$83,043,863</u>	<u>\$ 2,725,095</u>	<u>\$ 1,688,339</u>	<u>\$84,080,619</u>	<u>\$ 729,221</u>

- Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund.
- Payments on the certificates of participation are made by the Debt Service Fund for Blended Component Units.
- Payments for accumulated vacation are typically liquidated in the fund for which the employee worked.
- Payments for the OPEB Obligation are made by the General Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2014	Accretion	Redeemed	Outstanding June 30, 2015
April-07	August-31	3.50-5.00%	\$18,000,000	\$ 17,455,000	\$ -	\$ 130,000	\$ 17,325,000
August-08	August-48	4.00-5.00%	12,385,077	12,122,018	80,418	190,000	12,012,436
August-08	August-33	3.01-5.90%	2,869,039	3,763,594	196,035	110,000	3,849,629
August-08	August-48	5.90-6.20%	7,840,155	11,133,436	689,970	-	11,823,406
May-11	May-51	6.90-8.10%	3,534,307	4,557,918	381,437	-	4,939,355
				<u>\$49,031,966</u>	<u>\$ 1,347,860</u>	<u>\$ 430,000</u>	<u>\$ 49,949,826</u>

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

General Obligation Bonds

In November 2006, the qualified electorate of the Santee School District approved the issuance and sale of General Obligation Bonds of \$60,000,000. The first issuance of Current Interest Bonds Series A in the amount of \$18,000,000 occurred in April 2007. The proceeds were used to finance the addition and modernization of school facilities. Taxes are collected by the San Diego County Tax Assessor for payment of principal and interest. The bonds mature each August 1 through August 2031, with semi-annual interest payments due February 1 and August 1 each year, commencing February 1, 2008. At June 30, 2015, the principal balance outstanding was \$17,325,000.

In August 2008, the District issued \$1,145,077 of Capital Appreciation Bonds Series B and \$11,240,000 of Current Interest Bonds Series B. The proceeds were used to finance the addition and modernization of school facilities. Taxes are collected by the San Diego County Tax Assessor for payment of principal and interest. The bonds mature each August 1 through August 2048, with semi-annual interest payments due February 1 and August 1 each year, commencing February 1, 2009. At June 30, 2015, the principal balance outstanding was \$12,012,436.

In August 2008, the District issued \$2,869,039 of Capital Appreciation Bonds Series C. The proceeds were used to finance the addition and modernization of school facilities. Taxes are collected by the San Diego County Tax Assessor for payment of principal and interest. The bonds mature each August 1 through August 2033, with semi-annual interest payments due February 1 and August 1 each year, commencing February 1, 2009. At June 30, 2015, the principal balance outstanding was \$3,849,629.

In August 2008, the District issued \$7,840,155 of Capital Appreciation Bonds Series D. The proceeds were used to finance the addition and modernization of school facilities. Taxes are collected by the San Diego County Tax Assessor for payment of principal and interest. The bonds mature each August 1 through August 2048, with semi-annual interest payments due February 1 and August 1 each year, commencing February 1, 2009. At June 30, 2015, the principal balance outstanding was \$11,823,406.

In May 2011, the District issued \$3,534,307 of Capital Appreciation Bonds Series E. The proceeds were used to finance the addition and modernization of school facilities. Taxes are collected by the San Diego County Tax Assessor for payment of principal and interest. The bonds mature each August 1 through August 2046, with the final maturity payment being made on May 1, 2051. At June 30, 2015, the principal balance outstanding was \$4,939,355.

SANTEE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Debt Service Requirements to Maturity

The bonds mature through 2050 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Principal Accretion</u>	<u>Total</u>
2016	\$ 509,221	\$ 1,375,380	\$ 1,414,259	\$ 3,298,860
2017	572,301	1,366,480	1,485,041	3,423,822
2018	640,240	1,354,880	1,558,946	3,554,066
2019	712,791	1,340,380	1,636,082	3,689,253
2020	811,798	1,322,480	1,721,924	3,856,202
2021-2025	5,833,986	6,086,882	10,367,979	22,288,847
2026-2030	10,207,477	4,490,597	14,113,445	28,811,519
2031-2035	12,357,514	2,261,250	18,167,559	32,786,323
2036-2040	6,271,561	1,581,250	20,797,761	28,650,572
2041-2045	5,735,746	998,000	20,500,055	27,233,801
2046-2050	3,965,056	270,375	17,418,768	21,654,199
2051	2,332,135	-	4,658,353	6,990,488
Total	<u>\$ 49,949,826</u>	<u>\$ 22,447,954</u>	<u>\$ 113,840,172</u>	<u>\$ 186,237,952</u>

Certificates of Participation

The certificates of participation are as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Bonds Outstanding July 1, 2014</u>	<u>Accretion</u>	<u>Redeemed</u>	<u>Bonds Outstanding June 30, 2015</u>
September-08	October-49	3.25-5.75%	\$23,699,849	\$23,978,776	\$ 74,648	\$ 60,000	\$23,993,424
June-10	June-25	2.315-7.160%	2,260,000	1,705,000	-	140,000	1,565,000
				<u>\$25,683,776</u>	<u>\$ 74,648</u>	<u>\$200,000</u>	<u>\$25,558,424</u>

During September 2008, the District issued \$23,699,849 in certificates of participation for the purpose of financing the acquisition, construction, installation, modernization, and equipping of improvements to various District facilities. The District is required to make lease payments of principal and interest in conjunction with these certificates of participation. Interest rates range from 3.25 percent to 5.75 percent. Interest is due and payable semi-annually on April 1 and October 1, commencing on April 1, 2009. The outstanding principal balance at June 30, 2015, was \$23,993,424.

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

During June 2010, the District issued \$2,260,000 in certificates of participation for the purpose of constructing and installing certain solar energy improvements located at the District's Hill Creek Elementary School. The District is required to make lease payments of principal and interest in conjunction with these certificates of participation. Interest rates range from 2.315 percent to 7.160 percent. Interest is due and payable semi-annually on June 1 and December 1, commencing on December 1, 2010. Principal is payable annually on June 1, commencing on June 1, 2011. The outstanding principal balance at June 30, 2015, was \$1,565,000.

Payments are required as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Principal Accretion</u>	<u>Total</u>
2016	\$ 220,000	\$ 1,318,237	\$ 79,166	\$ 1,617,403
2017	245,000	1,307,499	83,957	1,636,456
2018	265,000	1,295,240	89,039	1,649,279
2019	295,000	1,281,518	94,428	1,670,946
2020	325,000	1,265,958	100,143	1,691,101
2021-2025	1,976,252	6,033,128	589,207	8,598,587
2026-2030	928,315	5,759,906	397,337	7,085,558
2031-2035	2,450,963	5,539,253	18,300	8,008,516
2036-2040	4,437,894	4,606,269	-	9,044,163
2041-2045	6,765,000	3,094,437	-	9,859,437
2046-2050	7,650,000	878,075	-	8,528,075
Total	<u>\$ 25,558,424</u>	<u>\$ 32,379,520</u>	<u>\$ 1,451,577</u>	<u>\$ 59,389,521</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to \$209,236.

Qualified Zone Academy Bond

In November 2005, the District issued \$5,000,000 aggregate principal amount of Qualified Zone Academy Bond Program (QZAB) certificates of participation. The QZAB certificates represent interest free financing for the District. Owners of the QZAB certificates receive a Federal tax credit in lieu of charging the District interest on the certificates. The certificates mature on December 1, 2020. As of June 30, 2015, Chase Bank held \$4,548,893 for payment of principal.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was \$1,231,699, and contributions made by the District during the year were \$881,305. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$70,888 and (\$102,486), respectively, which resulted in an increase to the net OPEB obligation of \$318,796. As of June 30, 2015, the net OPEB obligation was \$2,090,995. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

SANTEE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Stores inventories	46,850	48,738	-	-	95,588
Prepaid expenditures	375,869	-	-	-	375,869
Total Nonspendable	<u>437,719</u>	<u>48,738</u>	<u>-</u>	<u>-</u>	<u>486,457</u>
Restricted					
Legally restricted programs	684,398	654,423	-	411	1,339,232
Capital projects	-	-	5,554,314	1,241,339	6,795,653
Debt services	-	-	-	6,603,211	6,603,211
Total Restricted	<u>684,398</u>	<u>654,423</u>	<u>5,554,314</u>	<u>7,844,961</u>	<u>14,738,096</u>
Assigned					
Other assignments	3,959,407	-	332,999	1,379,288	5,671,694
Total Assigned	<u>3,959,407</u>	<u>-</u>	<u>332,999</u>	<u>1,379,288</u>	<u>5,671,694</u>
Unassigned					
Economic uncertainties	1,621,869	-	-	-	1,621,869
Remaining unassigned	6,830,977	-	-	276,456	7,107,433
Total Unassigned	<u>8,452,846</u>	<u>-</u>	<u>-</u>	<u>276,456</u>	<u>8,729,302</u>
Total	<u>\$ 13,534,370</u>	<u>\$ 703,161</u>	<u>\$ 5,887,313</u>	<u>\$ 9,500,705</u>	<u>\$ 29,625,549</u>

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Santee School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 79 retirees currently receiving benefits, as well as 548 active employees who may become eligible to retire and receive benefits in the future.

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association, the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually. For fiscal year 2014-2015, the District contributed \$881,305 to the Plan.

Annual OPEB Cost and Net OPEB Obligation

The District's annual 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 No. 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 accrued liabilities (UAAL) (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 to the Plan:

Annual required contribution	\$ 1,231,699
Interest on net OPEB obligation	70,888
Adjustment to annual required contribution	(102,486)
Annual OPEB cost (expense)	<u>1,200,101</u>
Contributions made	<u>(881,305)</u>
Increase in net OPEB obligation	318,796
Net OPEB obligation, beginning of year	<u>1,772,199</u>
Net OPEB obligation, end of year	<u><u>\$ 2,090,995</u></u>

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	\$ 1,307,652	\$ 1,014,481	78%	\$ 1,571,395
2014	1,215,646	1,014,842	83%	1,772,199
2015	1,200,101	881,305	73%	2,090,995

SANTEE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2015	\$ -	\$ 10,301,495	\$ 10,301,495	0%	\$ 36,984,759	28%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a five percent discount rate. Healthcare cost trend rates ranged from an initial eight percent to an ultimate rate of five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2015, was 26 years.

NOTE 11 - RISK MANAGEMENT

Workers' Compensation

For fiscal year 2015, the District participated in the San Diego County Office of Education (SDCOE) Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the SDCOE JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SDCOE JPA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in SDCOE JPA. Each participant pays its workers' compensation premium based on its individual rate.

SANTEE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Property and Liability

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2015, the District was a member of the San Diego County Office of Education (SDCOE) joint powers authority for property and liability insurance coverage.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 32,375,968	\$ 2,328,921	\$ 7,972,521	\$ 2,805,935
CalPERS	8,423,067	996,113	2,894,260	747,195
Total	<u>\$ 40,799,035</u>	<u>\$ 3,325,034</u>	<u>\$ 10,866,781</u>	<u>\$ 3,553,130</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/member-publications>.

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required State contribution rate	5.95%	5.95%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were \$2,328,921.

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 32,375,968
State's proportionate share of the net pension liability associated with the District	<u>19,550,007</u>
Total	<u><u>\$ 51,925,975</u></u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0554 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,805,935 and revenue of \$1,573,754 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Pension contributions subsequent to measurement date	\$ 2,328,921	\$ -
Difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>7,972,521</u>
Total	<u><u>\$ 2,328,921</u></u>	<u><u>\$ 7,972,521</u></u>

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 1,993,130
2017	1,993,130
2018	1,993,130
2019	1,993,131
Total	<u>\$ 7,972,521</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

SANTEE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are log normally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 50,465,667
Current discount rate (7.60%)	32,375,968
1% increase (8.60%)	17,292,447

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were \$996,113.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$8,423,067. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0742 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$747,195. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 996,113	\$ -
Difference between projected and actual earnings on pension plan investments	-	2,894,260
Total	<u>\$ 996,113</u>	<u>\$ 2,894,260</u>

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 723,565
2017	723,565
2018	723,565
2019	723,565
Total	<u>\$ 2,894,260</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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

SANTEE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 14,775,982
Current discount rate (7.50%)	8,423,067
1% increase (8.50%)	3,114,566

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$114,043 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS.). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. However, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use social security as its alternative plan.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

Litigation

The District is not currently a party to any legal proceedings

NOTE 14 - PARTICIPATION IN JOINT POWERS AGENCY

The District is a member of the San Diego County Office of Education (SDCOE) JPA. The District pays an annual premium to this entity for its workers' compensation coverage. The relationship between the District and the JPA is such that it is not component units of the District for financial reporting purposes.

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

SANTEE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The District has appointed a representative to the governing board of the SDCOE JPA. During the year ended June 30, 2015, the District paid \$244,973 to SDCOE JPA for workers' compensation.

As of June 30, 2015, the District had residual balances held by Southern California Regional Liability Excess Fund (SoCal ReLiEF) joint powers agency for payment of future claims. The balances for property and liability and workers' compensation claims were \$525,619 and \$459,676 respectively.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

General Fund

Net Position - Beginning	\$ 68,490,193
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(51,039,705)
Inclusion of deferred outflow of resources from the adoption of GASB Statement No. 68	<u>2,927,019</u>
Net Position - Beginning as Restated	<u>\$ 20,377,507</u>

REQUIRED SUPPLEMENTARY INFORMATION

SANTEE SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(GAAP Basis)</u>	<u>Variances -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>Final</u>
				<u>to Actual</u>
REVENUES				
Local Control Funding Formula	\$42,352,410	\$47,393,864	\$42,420,345	\$ (4,973,519)
Federal sources	2,173,934	2,339,607	2,488,273	148,666
Other State sources	1,609,348	5,009,827	2,397,052	(2,612,775)
Other local sources	3,455,542	3,671,187	4,988,514	1,317,327
Total Revenues ¹	<u>49,591,234</u>	<u>58,414,485</u>	<u>52,294,184</u>	<u>(6,120,301)</u>
EXPENDITURES				
Current				
Certificated salaries	26,962,396	27,367,362	26,783,725	583,637
Classified salaries	7,615,644	7,903,285	7,604,234	299,051
Employee benefits	8,303,016	8,657,756	8,130,247	527,509
Books and supplies	3,880,154	4,127,693	5,219,673	(1,091,980)
Services and operating expenditures	3,734,665	4,191,607	4,155,015	36,592
Capital outlay	649,419	806,927	527,364	279,563
Other outgo	103,639	107,028	(99,299)	206,327
Debt service - interest	1,037,681	1,051,267		1,051,267
Total Expenditures ¹	<u>52,286,614</u>	<u>54,212,925</u>	<u>52,320,959</u>	<u>1,891,966</u>
Excess (Deficiency) of Revenues Under Expenditures	<u>(2,695,380)</u>	<u>4,201,560</u>	<u>(26,775)</u>	<u>(4,228,335)</u>
Other Financing Sources (Uses)				
Transfers in	38,914	20,170	33,561	13,391
Transfers out	1,249,265	849,236	(1,151,348)	(2,000,584)
Net Financing Sources (Uses)	<u>1,288,179</u>	<u>869,406</u>	<u>(1,117,787)</u>	<u>(1,987,193)</u>
NET CHANGE IN FUND BALANCE	<u>(1,407,201)</u>	<u>5,070,966</u>	<u>(1,144,562)</u>	<u>(6,215,528)</u>
Fund Balance - Beginning	<u>14,678,932</u>	<u>14,678,932</u>	<u>14,678,932</u>	<u>-</u>
Fund Balance - Ending	<u>\$13,271,731</u>	<u>\$19,749,898</u>	<u>\$13,534,370</u>	<u>\$ (6,215,528)</u>

¹ On behalf payments of \$114,043 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 17, Special Reserve Fund Other than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

SANTEE SCHOOL DISTRICT

**CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		Final to Actual
REVENUES				
Federal sources	\$ 1,398,927	\$ 1,467,989	\$ 1,642,233	\$ 174,244
Other State sources	105,129	107,574	113,741	6,167
Other local sources	638,386	727,638	664,204	(63,434)
Total Revenues	2,142,442	2,303,201	2,420,178	116,977
EXPENDITURES				
Current				
Classified salaries	889,971	878,444	845,570	32,874
Employee benefits	207,555	206,108	203,945	2,163
Books and supplies	1,050,035	1,085,277	1,153,665	(68,388)
Services and operating expenditures	72,999	90,017	68,280	21,737
Other outgo	-	-	89,940	(89,940)
Capital outlay	15,000	15,000	8,828	6,172
Total Expenditures	2,235,560	2,274,846	2,370,228	(95,382)
Excess (Deficiency) of Revenues Over Expenditures	(93,118)	28,355	49,950	21,595
Other Financing Sources (Uses)				
Transfers in	-	-	5,293	5,293
Transfers out	(94,818)	(97,399)	-	97,399
Net Financing Sources (Uses)	(94,818)	(97,399)	5,293	102,692
NET CHANGE IN FUND BALANCES	(187,936)	(69,044)	55,243	124,287
Fund Balance - Beginning	647,918	488,313	647,918	159,605
Fund Balance - Ending	\$ 459,982	\$ 419,269	\$ 703,161	\$ 283,892

SANTEE SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2011	\$ -	\$ 12,027,903	\$ 12,027,903	0%	\$ 31,908,888	38%
July 1, 2013	-	11,479,915	11,479,915	0%	34,262,205	34%
July 1, 2015	-	10,301,495	10,301,495	0%	36,984,759	28%

SANTEE SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>
CalSTRS	
District's proportion of the net pension liability	<u>0.0554%</u>
District's proportionate share of the net pension liability	\$ 32,375,968
State's proportionate share of the net pension liability associated with the District	<u>19,550,007</u>
Total	<u>\$ 51,925,975</u>
District's covered - employee payroll	<u>\$ 24,873,673</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>130.16%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
CalPERS	
District's proportion of the net pension liability	<u>0.0742%</u>
District's proportionate share of the net pension liability	<u>\$ 8,423,067</u>
District's covered - employee payroll	<u>\$ 7,731,367</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>108.95%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

Note: In the future, as data become available, ten years of information will be presented.

SANTEE SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>
CalSTRS	
Contractually required contribution	\$ 2,328,921
Contributions in relation to the contractually required contribution	<u>2,328,921</u>
Contribution deficiency (excess)	<u>\$ -</u>
 District's covered - employee payroll	 <u>\$ 26,226,588</u>
 Contributions as a percentage of covered - employee payroll	 <u>8.88%</u>
 CalPERS	
Contractually required contribution	\$ 996,113
Contributions in relation to the contractually required contribution	<u>996,113</u>
Contribution deficiency (excess)	<u>\$ -</u>
 District's covered - employee payroll	 <u>\$ 8,463,152</u>
 Contributions as a percentage of covered - employee payroll	 <u>11.77%</u>

Note: In the future, as data become available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

SANTEE SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Individuals with Disabilities Act (IDEA)			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	\$ 1,096,154
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	82,616
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	141,911
Mental Health Allocation Plan, Part B, Section 611	84.027	14468	33,873
Preschool Staff Development, Part B, Section 619	84.173A	13431	521
Total Special Education (IDEA) Cluster			<u>1,355,075</u>
No Child Left Behind Act (NCLB)			
Title I, Part A, Basic Grants Low-Income and Neglected - Reallocation Funds	84.010	14981	510,920
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	175,072
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	50,761
Federal Impact Aid: Maintenance and Operations (ESEA, Title VIII)	84.041	10015	55,198
Total U.S. Department of Education			<u>2,147,026</u>
U.S. DEPARTMENT OF DEFENSE			
DODEA Santee Empowerment	12.556	[1]	<u>89,113</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Basic School Breakfast Program	10.553	13525	3,708
Especially Needy Breakfast	10.553	13526	268,097
National School Lunch Program	10.555	13524	1,091,428
Food Distribution	10.555	13524	165,102
Total Child Nutrition Cluster			<u>1,528,335</u>
Child Care Food Program	10.558	13393	113,899
Total U.S. Department of Agriculture			<u>1,642,234</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	89,543
Medi-Cal Administrative Activities Program	93.778	10060	162,157
Total U.S. Department of Health and Human Services			<u>251,700</u>
Total Expenditures of Federal Awards			<u>\$ 4,130,073</u>

[1] Pass-Through Entity Identifying Number not available
See accompanying note to supplementary information.

SANTEE SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

ORGANIZATION

The Santee School District was established in 1893, and consists of an area comprising approximately 16.56 square miles. The District operates one K-6 elementary school, eight K-8 elementary schools, and an alternative school program. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dustin Burns	President	December 5, 2018
Barbara Ryan	Vice President	December 5, 2018
Elana Levens-Craig	Clerk	December 2, 2016
Dianne El-Hajj	Member	December 5, 2016
Ken Fox	Member	December 2, 2018

ADMINISTRATION

Dr. Cathy A. Pierce	Superintendent
Karl Christensen	Assistant Superintendent, Business Services
Dr. Stephanie Pierce	Assistant Superintendent, Educational Services
Tim Larson	Assistant Superintendent, Human Resources/ Pupil Services

See accompanying note to supplementary information.

SANTEE SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2015**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,926.09	2,947.52
Fourth through sixth	2,047.83	2,049.38
Seventh and eighth	1,283.63	1,280.78
Total Regular ADA	<u>6,257.55</u>	<u>6,277.68</u>
Extended Year Special Education		
Transitional kindergarten through third	4.79	4.79
Fourth through sixth	1.34	1.34
Seventh and eighth	0.43	0.43
Total Extended Year Special Education	<u>6.56</u>	<u>6.56</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.79	0.89
Fourth through sixth	0.99	1.01
Seventh and eighth	3.75	3.56
Total Special Education, Nonpublic, Nonsectarian Schools	<u>5.53</u>	<u>5.46</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.28	0.11
Seventh and eighth	0.37	0.16
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.65</u>	<u>0.27</u>
Community Day School		
Fourth through sixth	0.17	0.58
Seventh and eighth	7.86	7.68
Total Community Day School	<u>8.03</u>	<u>8.26</u>
Total ADA	<u>6,278.32</u>	<u>6,298.23</u>

See accompanying note to supplementary information.

SANTEE SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015**

Grade Level	1986-87	Reduced 1986-87	2014-15	Number of Days		Status
	Minutes Requirement	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	52,650	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			52,650	180	N/A	Complied
Grade 2			52,650	180	N/A	Complied
Grade 3			52,650	180	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			57,174	180	N/A	Complied
Grade 5			57,174	180	N/A	Complied
Grade 6			57,174	180	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			59,874	180	N/A	Complied
Grade 8			59,874	180	N/A	Complied

See accompanying note to supplementary information.

SANTEE SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

SANTEE SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

	(Budget) 2016 ¹	2015	2014	2013
GENERAL FUND ⁴				
Revenues	\$ 58,435,469	\$ 52,282,001	\$ 49,682,921	\$ 45,804,084
Other sources and transfers in	20,170	33,562	111,883	20,170
Total Revenues and Other Sources	58,455,639	52,315,563	49,794,804	45,824,254
Expenditures	54,059,180	52,157,243	46,645,800	45,463,976
Other uses and transfers out	849,236	719,559	1,575,395	445,422
Total Expenditures and Other Uses	54,908,416	52,876,802	48,221,195	45,909,398
INCREASE (DECREASE) IN FUND BALANCE	\$ 3,547,223	\$ (561,239)	\$ 1,573,609	\$ (85,144)
ENDING FUND BALANCE	\$ 13,607,446	\$ 10,060,223	\$ 10,621,462	\$ 9,047,853
AVAILABLE RESERVES ²	\$ 12,142,908	\$ 8,452,896	\$ 9,336,224	\$ 8,942,445
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	22.1%	16.02%	19.93%	19.48%
LONG-TERM OBLIGATIONS	N/A	\$ 84,080,619	\$ 83,043,863	\$ 82,039,077
K-12 AVERAGE DAILY ATTENDANCE AT P-2	6,278	6,278	6,237	6,214

The General Fund balance has increased by \$1,012,370 over the past two years. The fiscal year 2015-2016 budget projects an increase of \$3,547,223 (35 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, but anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by \$2,041,542 over the past two years.

Average daily attendance has increased by 64 over the past two years. No change in ADA is anticipated to remain the same during fiscal year 2015-2016.

¹ Budget 2016 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund and Special Reserve Fund for Other Than Capital Outlay.

³ On behalf payments of \$114,043, \$1,366,039, and \$1,185,502, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013, respectively.

⁴ General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Other Than Capital Outlay Projects.

See accompanying note to supplementary information.

SANTEE SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015**

	Child Development Fund	Deferred Maintenance Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects
ASSETS				
Deposits and investments	\$ 4,140	\$ 331,034	\$ 760,638	\$ 338,815
Receivables	34,237	343	997	20,606
Due from other funds	-	-	-	124,265
Total Assets	<u>\$ 38,377</u>	<u>\$ 331,377</u>	<u>\$ 761,635</u>	<u>\$ 483,686</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 872	\$ 54,910	\$ -	\$ 3,982
Due to other funds	37,094	11	-	-
Total Liabilities	<u>37,966</u>	<u>54,921</u>	<u>-</u>	<u>3,982</u>
Fund Balances:				
Restricted	411	-	761,635	479,704
Assigned	-	-	-	-
Unassigned	-	276,456	-	-
Total Fund Balances	<u>411</u>	<u>276,456</u>	<u>761,635</u>	<u>479,704</u>
Total Liabilities and Fund Balances	<u>\$ 38,377</u>	<u>\$ 331,377</u>	<u>\$ 761,635</u>	<u>\$ 483,686</u>

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ 1,379,288	\$ 6,603,211	\$ 9,417,126
-	-	56,183
-	-	124,265
<u>\$ 1,379,288</u>	<u>\$ 6,603,211</u>	<u>\$ 9,597,574</u>
\$ -	\$ -	\$ 59,764
-	-	37,105
<u>-</u>	<u>-</u>	<u>96,869</u>
-	6,603,211	7,844,961
1,379,288	-	1,379,288
-	-	276,456
<u>1,379,288</u>	<u>6,603,211</u>	<u>9,500,705</u>
<u>\$ 1,379,288</u>	<u>\$ 6,603,211</u>	<u>\$ 9,597,574</u>

SANTEE SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	Child Development Fund	Deferred Maintenance Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects
REVENUES				
Local Control Funding Formula	\$ -	\$ 535,000	\$ -	\$ -
Other State sources	228,872	-	1,063,026	-
Other local sources	109	1,414	1,384	278,068
Total Revenues	228,981	536,414	1,064,410	278,068
EXPENDITURES				
Current				
Instruction	198,190	-	-	-
Instruction-related activities:				
Supervision of instruction	21,020	-	-	-
Pupil services:				
Administration:				
All other administration	9,360	-	-	-
Plant services	-	361,782	-	24,387
Facility acquisition and construction	-	-	302,775	-
Debt service				
Principal	-	-	-	140,000
Interest and other	-	-	-	(140,000)
Total Expenditures	228,570	361,782	302,775	24,387
Excess (Deficiency) of Revenues Over (Under) Expenditures	411	174,632	761,635	253,681
Other Financing Sources (Uses)				
Transfers in	-	-	-	124,265
Transfers out	-	-	-	(246,046)
Net Financing Sources (Uses)	-	-	-	(121,781)
NET CHANGE IN FUND BALANCES	411	174,632	761,635	131,900
Fund Balances - Beginning	-	101,824	-	347,804
Fund Balances - Ending	\$ 411	\$ 276,456	\$ 761,635	\$ 479,704

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 535,000
26,864	-	1,318,762
1,900,845	156,920	2,338,740
<u>1,927,709</u>	<u>156,920</u>	<u>4,192,502</u>
-	-	198,190
-	-	21,020
-	-	9,360
-	-	386,169
-	-	302,775
289,336	200,000	629,336
1,526,944	1,310,014	2,696,958
<u>1,816,280</u>	<u>1,510,014</u>	<u>4,243,808</u>
111,429	(1,353,094)	(51,306)
-	1,510,014	1,634,279
-	-	(246,046)
-	1,510,014	1,388,233
111,429	156,920	1,336,927
1,267,859	6,446,291	8,163,778
<u>\$ 1,379,288</u>	<u>\$ 6,603,211</u>	<u>\$ 9,500,705</u>

SANTEE SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget 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 financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and in Business-Type Activities, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option Program funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 4,130,506
Medi-Cal Billing Option	93.778	<u>(433)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 4,130,073</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

SANTEE SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

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.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 14, 2015

Opinion on Each Major Federal Program

In our opinion, Santee 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, 2015.

Report on Internal Control Over Compliance

Management of Santee 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 Santee 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 Santee School District's internal control over compliance.

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

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

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 14, 2015

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

	<u>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	No, see below
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer an Independent Study Program; therefore, we did not perform procedures related to the Independent Study Program.

The District does not offer a Continuation Education Program; therefore, we did not perform procedures related to the Continuation Education Program.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have a Middle or Early College High School Program; therefore, we did not perform procedures related to the Middle or Early College High School Program.

The District does not offer a Regional Occupational Program; therefore, we did not perform any procedures related to Regional Occupational Centers or Programs Maintenance of Effort.

The District does not offer an Adult Education Program; therefore, we did not perform any procedures related to Adult Education Maintenance of Effort.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 14, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SANTEE SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173, and 84.173A	Special Education (IDEA) Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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SANTEE SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

SANTEE SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

SANTEE SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

SANTEE SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

There were no audit findings reported in the prior year's schedule of financial statement findings.