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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2018**

# CORONADO UNIFIED SCHOOL DISTRICT

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***FINANCIAL SECTION***



## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Coronado Unified School District  
Coronado, California

### Report on the Financial Statements

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

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Coronado Schools Foundation, the District's discretely presented component unit, which represents six percent, nine percent, and four percent, respectively, of the assets, net position, and revenues of the Coronado Unified School District. Those statements were audited by other auditors, whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for Coronado Unified School District, are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Coronado Schools Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

### ***Opinions***

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

### ***Emphasis of Matter - Change in Accounting Principles***

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison schedule on page 72, schedule of changes in the District's total OPEB liability and related ratios on page 73, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 74, schedule of the District's proportionate share of the net pension liability on page 75, and the schedule of District contributions on page 76, 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 Coronado Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information 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 17, 2018, on our consideration of the Coronado Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Coronado Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Coronado Unified School District's internal control over financial reporting and compliance.

*Vavrick, Irwin, Day & Co., LLP*

Rancho Cucamonga, California  
December 17, 2018



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This section of Coronado Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018, with comparative information for the year ending June 30, 2017. 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 Coronado Unified School District and its component units 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. These statements include all assets of the District (including capital assets) 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 *Governmental Activities* are prepared using the current financial resources measurement focus and the accrual basis of accounting.

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

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

The *Proprietary Funds* 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.

*Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Coronado Unified School District.



# CORONADO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### 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 liabilities, 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 present 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 twelve students, adult education students, 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 child care programs and services are included here.

# CORONADO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### 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 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. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position* on page 26. 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.

### FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- Total combined net position was \$65,204,013 at June 30, 2018. This was a decrease of \$1,825,398 from the prior year's net position.
- Overall revenues were \$40,249,972 which were exceeded by overall expenses of \$42,000,100.

# CORONADO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

### THE DISTRICT AS A WHOLE

#### Net Position

The District's net position of governmental activities was \$65,204,013 for the fiscal year ended June 30, 2018. Of this amount, \$(16,346,168) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use that 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 governmental activities.

**Table 1**

	Governmental Activities			Business-Type Activities		
	2018	2017	Net Change	2018	2017	Net Change
<b>ASSETS</b>						
Current and other assets	\$ 21,737,995	\$ 22,175,581	\$ (437,586)	\$ 240,908	\$ 229,689	\$ 11,219
Capital assets	95,902,966	98,958,280	(3,055,314)	-	-	-
<b>Total Assets</b>	<b>117,640,961</b>	<b>121,133,861</b>	<b>(3,492,900)</b>	<b>240,908</b>	<b>229,689</b>	<b>11,219</b>
<b>Deferred Outflows of Resources</b>	<b>11,354,250</b>	<b>7,588,941</b>	<b>3,765,309</b>	<b>163,841</b>	<b>135,128</b>	<b>28,713</b>
<b>LIABILITIES</b>						
Current liabilities	1,933,013	2,800,387	(867,374)	13,458	11,456	2,002
Long-term obligations	24,302,390	26,239,904	(1,937,514)	-	-	-
Net pension liability	35,013,570	30,719,753	4,293,817	524,670	375,857	148,813
<b>Total Liabilities</b>	<b>61,248,973</b>	<b>59,760,044</b>	<b>1,488,929</b>	<b>538,128</b>	<b>387,313</b>	<b>150,815</b>
<b>Deferred Inflows of Resources</b>	<b>2,542,225</b>	<b>1,933,347</b>	<b>3,845,232</b>	<b>22,466</b>	<b>13,046</b>	<b>9,420</b>
<b>NET POSITION</b>						
Net investment in capital assets	78,780,588	80,195,988	(1,415,400)	-	-	-
Restricted	2,769,593	13,904,792	(11,135,199)	-	-	-
Unrestricted	(16,346,168)	(27,071,369)	10,725,201	(155,845)	(35,542)	(120,303)
<b>Total Net Position</b>	<b>\$ 65,204,013</b>	<b>\$ 67,029,411</b>	<b>\$ (1,825,398)</b>	<b>\$ (155,845)</b>	<b>\$ (35,542)</b>	<b>\$ (120,303)</b>

The \$(16,346,168) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

# CORONADO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

### 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 16. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

	Governmental Activities			Business-Type Activities		
	2018	2017	Net Change	2018	2017	Net Change
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 560,849	\$ 485,511	75,338	\$ 397,819	\$ 368,883	28,936
Operating grants and contributions	5,378,955	6,782,668	(1,403,713)	10,448	-	10,448
General revenues:			-			-
Federal and State aid not restricted	13,715,439	19,411,833	(5,696,394)	-	98	(98)
Property taxes	16,805,087	10,612,809	6,192,278	-	-	-
Other general revenues	3,789,642	3,137,793	651,849	1,590	1,803	(213)
<b>Total Revenues</b>	<b>40,249,972</b>	<b>40,430,614</b>	<b>(180,642)</b>	<b>409,857</b>	<b>370,784</b>	<b>39,073</b>
<b>Expenses</b>						
Instruction	23,046,541	23,857,976	(811,435)	-	-	-
Instruction-related	4,140,742	5,238,531	(1,097,789)	-	-	-
Pupil services	3,734,658	3,538,739	195,919	-	-	-
Administration	2,079,653	3,234,940	(1,155,287)	-	-	-
Plant Services	3,790,292	4,689,096	(898,804)	-	-	-
Ancilliary and community services	1,137,089	1,094,564	42,525	-	-	-
Interest on long-term obligations	359,851	526,304	(166,453)	-	-	-
Depreciation	3,711,274	4,117,189	(405,915)	-	-	-
Other	-	5,506	(5,506)	605,430	528,799	76,631
<b>Total Expenses</b>	<b>42,000,100</b>	<b>46,302,845</b>	<b>(4,302,745)</b>	<b>605,430</b>	<b>528,799</b>	<b>76,631</b>
<b>Excess (Deficiency)</b>						
Transfers	(75,270)	(74,545)	(725)	75,270	75,000	270
<b>Change in Net Position</b>	<b>\$ (1,825,398)</b>	<b>\$ (5,946,776)</b>	<b>\$ 4,121,378</b>	<b>\$ (120,303)</b>	<b>\$ (83,015)</b>	<b>\$ (37,288)</b>

# CORONADO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2018**

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### Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$42,000,100. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$16,805,087 because the cost was paid by those who benefited from the programs (\$560,849) or by other governments and organizations who subsidized certain programs with grants and contributions (\$5,378,955). We paid for the remaining "public benefit" portion of our governmental activities with \$17,505,081 in State funds, and other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions – instruction, instruction-related, pupil services, administration, plant services, ancillary and community services, interest on long-term obligations, enterprise services, and depreciation. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Instruction	\$ 23,046,541	\$ 23,857,976	\$ 19,030,167	\$ 18,763,307
Instruction-related activities	4,140,742	5,238,531	3,743,279	4,699,685
Pupil services	3,734,658	3,538,739	2,753,564	2,618,008
Administration	2,079,653	3,234,940	1,975,148	3,079,022
Plant services	3,790,292	4,689,096	3,624,322	4,415,693
Ancillary and community services	1,137,089	1,094,564	877,313	396,274
Interest on long-term obligations	359,851	526,304	355,777	526,304
Enterprise services	33,146	5,506	22,598	419,184
Depreciation	3,678,128	4,117,189	3,678,128	4,117,189
<b>Total</b>	<b><u>\$ 42,000,100</u></b>	<b><u>\$ 46,302,845</u></b>	<b><u>\$ 36,060,296</u></b>	<b><u>\$ 39,034,666</u></b>

**CORONADO UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of \$19,904,648.

**Table 4**

	Fund Balance			
	July 1, 2017	Revenues and	Expenditures	June 30, 2018
		Other Financing Sources	and Other Financing Uses	
General Fund	\$ 6,016,033	\$ 35,681,163	\$ 35,463,295	\$ 6,233,901
Special Reserve Fund for Capital Outlay Projects	10,476,798	2,574,762	2,165,861	10,885,699
Adult Education Fund	185,935	258,496	195,703	248,728
Child Development Fund	13,513	137,060	135,106	15,467
Cafeteria Fund	650	711,370	666,051	45,969
Deferred Maintenance Fund	675,043	8,999	-	684,042
Foundation Special Reserve Fund	109,285	487,865	570,484	26,666
Capital Facilities Fund	758,414	164,247	553,836	368,825
Bond Interest and Redemption Fund	1,108,194	1,054,183	1,061,800	1,100,577
Foundation Permanent Fund	291,660	4,414	1,300	294,774
<b>Total</b>	<b>\$ 19,635,525</b>	<b>\$ 41,082,559</b>	<b>\$ 40,813,436</b>	<b>\$ 19,904,648</b>

The primary reasons for these increases/decreases are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased \$0.2 million to \$6,233,901 million. This increase is due to:
  - i. One-time increases in State and Federal funding, in addition to a delayed recognition of expenditures for goods and services budgeted, but received until after year-end closing.
- b. Our special revenue funds remained fairly stable from the prior year showing a net increase of approximately \$400,000.

**General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 21, 2018. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 72).

# CORONADO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2018, the District had \$95,902,996 in a broad range of capital assets (net of depreciation), including land and construction in process, buildings and improvements, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$3,055,314.

**Table 5**

	Governmental Activities		
	2018	2017	Net Change
Land and construction in process	\$ 588,908	\$ 665,854	\$ (76,946)
Buildings and improvements	94,431,981	97,314,731	(2,882,750)
Furniture and equipment	882,107	977,725	(95,618)
<b>Total</b>	<b>\$ 95,902,996</b>	<b>\$ 98,958,310</b>	<b>\$ (3,055,314)</b>

This year's additions of \$699,760 included land and building improvements, including shade structure, cafeteria equipment and classroom equipment such as computers. No debt was issued for these additions.

Several capital projects are planned for the 2018-2019 year. We anticipate capital additions to be \$2 million for the 2018-2019 year. We present more detailed information about our capital assets in Note 5 to the financial statements.

#### Long-Term Obligations

At the end of this year, the District had \$24,302,390 in long-term obligations outstanding versus \$26,239,904 last year. Those obligations consisted of:

**Table 6**

	Governmental Activities		
	2018	2017	Net Change
General obligation bonds - net	\$ 9,554,222	\$ 10,368,329	\$ (814,107)
Certificates of participation - net	7,769,074	8,623,584	(854,510)
Supplemental early retirement plan	805,092	1,006,365	(201,273)
Accumulated vacation - net	139,075	103,342	35,733
Net other postemployment benefits (OPEB) liability	6,034,927	6,138,284	(103,357)
<b>Total</b>	<b>\$ 24,302,390</b>	<b>\$ 26,239,904</b>	<b>\$ (1,937,514)</b>

# **CORONADO UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018**

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The District's general obligation bond rating continues to be "AA." The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation bond debt is significantly below this statutorily-imposed limit.

Other obligations include compensated absences payable and net other postemployment benefits (OPEB) liability. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

### **Net Pension Liability (NPL)**

At year-end, the District had a net pension liability of \$35,013,570.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels in 2018-2019.

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

State revenues are estimated to increase modestly in 2018-19 but there is uncertainty about the State's long-term economic growth. With the LCFF expected to be fully funded in 2018-2019, and with school districts entering into a period of marginal increases with a Cost-of-Living Adjustment (COLA) only environment, a pattern of deficit spending is expected as expenditures related to employee retirement and benefit programs continue to grow. According to the Legislative Analyst's Office, there are concerns about a possible mild recession. In addition, purchasing power has not been restored to pre-2007/08 levels for most school districts as added funding is going to pay for increases in CalPERS and CalSTRS rates increases and rising health care costs.



# **CORONADO UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018**

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

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs. All of these factors were considered in preparing the District's budget for the 2018-19 fiscal year.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, at Coronado Unified School District, 201 Sixth Street, Coronado, California.

# CORONADO UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2018

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
<b>ASSETS</b>		
Deposits and investments	\$ 19,901,768	\$ 160,085
Receivables	1,903,856	434
Internal balances (Due from other funds)	(80,389)	80,389
Prepaid expenses	-	-
Stores inventories	12,760	-
Capital assets		
Land and construction in process	588,878	-
Capital assets being depreciated	147,943,311	-
Accumulated depreciation	(52,629,223)	-
<b>Total Capital Assets</b>	<u>95,902,966</u>	<u>-</u>
<b>Total Assets</b>	<u>117,640,961</u>	<u>240,908</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunding	200,918	-
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	385,415	-
Deferred outflows of resources related to pensions	10,767,917	163,841
<b>Total Deferred Outflows of Resources</b>	<u>11,354,250</u>	<u>163,841</u>
<b>LIABILITIES</b>		
Accounts payable	1,467,905	13,458
Accrued interest payable	99,666	-
Unearned revenue	365,442	-
Scholarships and grants due	-	-
Long-term obligations		
Current portion of long-term obligations other than pensions	1,211,273	-
Noncurrent portion of long-term obligations other than pensions	23,091,117	-
<b>Total Long-Term Obligations</b>	<u>24,302,390</u>	<u>-</u>
Aggregate net pension liability	35,013,570	524,670
<b>Total Liabilities</b>	<u>61,248,973</u>	<u>538,128</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	215,013	-
Deferred inflows of resources related to pensions	2,327,212	22,466
<b>Total Deferred Inflows of Resources</b>	<u>2,542,225</u>	<u>22,466</u>
<b>NET POSITION</b>		
Net investment in capital assets	78,780,588	-
Restricted for:		
Debt service	1,000,911	-
Capital projects	443,427	-
Educational programs	982,405	-
Other activities	342,850	-
Permanent endowment	-	-
Unrestricted (Deficit)	(16,346,168)	(155,845)
<b>Total Net Position</b>	<u>\$ 65,204,013</u>	<u>\$ (155,845)</u>

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

<b>Total</b>	<b>Coronado Schools Foundation</b>
\$ 20,061,853	\$ 7,237,193
1,904,290	26,665
-	-
-	17,105
12,760	-
588,878	-
147,943,311	17,702
(52,629,223)	(15,117)
<u>95,902,966</u>	<u>2,585</u>
<u>117,881,869</u>	<u>7,283,548</u>
200,918	-
385,415	-
<u>10,931,758</u>	<u>-</u>
<u>11,518,091</u>	<u>-</u>
1,481,363	56,108
99,666	-
365,442	48,153
-	628,012
1,211,273	-
<u>23,091,117</u>	<u>-</u>
<u>24,302,390</u>	<u>-</u>
<u>35,538,240</u>	<u>-</u>
<u>61,787,101</u>	<u>732,273</u>
215,013	-
<u>2,349,678</u>	<u>-</u>
<u>2,564,691</u>	<u>-</u>
78,780,588	-
1,000,911	-
443,427	-
982,405	-
342,850	149,736
-	1,301,994
(16,502,013)	5,099,545
<u>\$ 65,048,168</u>	<u>\$ 6,551,275</u>

# CORONADO UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities</b>			
Instruction	\$ 23,046,541	\$ -	\$ 4,016,374
Instruction-related activities:			
Supervision of instruction	369,955	-	57,590
Instructional library, media, and technology	965,781	-	13
School site administration	2,805,006	-	339,860
Pupil services:			
Home-to-school transportation	681,987	-	-
Food services	675,826	560,849	129,244
All other pupil services	2,376,845	-	291,001
Administration:			
All other administration	2,079,653	-	104,505
Plant services	3,790,292	-	165,970
Ancillary services	456,724	-	12,776
Community services	680,365	-	247,000
Enterprise services	33,146	-	10,548
Interest on long-term obligations	359,851	-	4,074
Depreciation (unallocated) <sup>1</sup>	3,678,128	-	-
<b>Total Governmental Activities</b>	<b>\$ 42,000,100</b>	<b>\$ 560,849</b>	<b>\$ 5,378,955</b>
<b>Business-Type Activities</b>			
Enterprise services	605,430	397,819	10,448
<b>Total School District</b>	<b>\$ 42,605,530</b>	<b>\$ 958,668</b>	<b>\$ 5,389,403</b>
<b>Discretely Presented Component Unit</b>			
Program services	\$ 1,178,273	\$ -	\$ -
Management and general	102,995	-	-
Fundraising	249,480	-	-
<b>Total</b>	<b>\$ 1,530,748</b>	<b>\$ -</b>	<b>\$ -</b>

### 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  
 Transfers  
 Miscellaneous

### Subtotal, General Revenues

### Change in Net Position

Net Position - Beginning, as restated  
 Net Position - Ending

<sup>1</sup> This amount excludes depreciation that is included in the direct expenses of the various programs.

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

<b>Net (Expenses) Revenues and Changes in Net Position</b>				
<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>	<b>Coronado Schools Foundation</b>	
\$ (19,030,167)	\$ -	\$ (19,030,167)	\$ -	
(312,365)	-	(312,365)	-	
(965,768)	-	(965,768)	-	
(2,465,146)	-	(2,465,146)	-	
(681,987)	-	(681,987)	-	
14,267	-	14,267	-	
(2,085,844)	-	(2,085,844)	-	
(1,975,148)	-	(1,975,148)	-	
(3,624,322)	-	(3,624,322)	-	
(443,948)	-	(443,948)	-	
(433,365)	-	(433,365)	-	
(22,598)	-	(22,598)	-	
(355,777)	-	(355,777)	-	
(3,678,128)	-	(3,678,128)	-	
(36,060,296)	-	(36,060,296)	-	
-	(197,163)	(197,163)	-	
(36,060,296)	(197,163)	(36,257,459)	-	
-	-	-	(1,178,273)	
-	-	-	(102,995)	
-	-	-	(249,480)	
-	-	-	(1,530,748)	
13,466,116	-	13,466,116	-	
1,044,265	-	1,044,265	-	
2,294,706	-	2,294,706	-	
13,715,439	-	13,715,439	-	
339,511	1,590	341,101	485,520	
(75,270)	75,270	-	-	
3,450,131	-	3,450,131	1,330,936	
34,234,898	76,860	34,311,758	1,816,456	
(1,825,398)	(120,303)	(1,945,701)	285,708	
67,029,411	(35,542)	66,993,869	6,265,567	
\$ 65,204,013	\$ (155,845)	\$ 65,048,168	\$ 6,551,275	

**CORONADO UNIFIED SCHOOL DISTRICT**

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

	<b>General Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Deposits and investments	\$ 7,431,014	\$ 9,718,603	\$ 2,752,151	\$ 19,901,768
Receivables	1,642,396	42,141	219,319	1,903,856
Due from other funds	1,537,614	2,442,706	189,124	4,169,444
Stores inventories	-	-	12,760	12,760
<b>Total Assets</b>	<b>\$ 10,611,024</b>	<b>\$ 12,203,450</b>	<b>\$ 3,173,354</b>	<b>\$ 25,987,828</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,366,365	\$ 62,141	\$ 39,399	\$ 1,467,905
Due to other funds	2,676,418	1,255,610	317,805	4,249,833
Unearned revenue	334,340	-	31,102	365,442
<b>Total Liabilities</b>	<b>4,377,123</b>	<b>1,317,751</b>	<b>388,306</b>	<b>6,083,180</b>
<b>Fund Balances:</b>				
Nonspendable	10,000	-	13,360	23,360
Restricted	771,765	74,602	2,022,892	2,869,259
Assigned	1,564,289	10,811,097	748,796	13,124,182
Unassigned	3,887,847	-	-	3,887,847
<b>Total Fund Balances</b>	<b>6,233,901</b>	<b>10,885,699</b>	<b>2,785,048</b>	<b>19,904,648</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,611,024</b>	<b>\$ 12,203,450</b>	<b>\$ 3,173,354</b>	<b>\$ 25,987,828</b>

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

# CORONADO UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 19,904,648</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>		
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	\$ 148,532,189	
Accumulated depreciation is	<u>(52,629,223)</u>	
Net Capital Assets		95,902,966
Deferred gains or losses on refunding of debt (the difference between the reacquisition prices and the net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities expense.		
		200,918
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.		
		(99,666)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	2,809,995	
Net change in proportionate share of net pension liability	1,086,645	
Differences between projected and actual earnings on pension plan investments	320,632	
Differences between expected and actual experience in the measurement of the total pension liability.	427,265	
Changes of assumptions	<u>6,123,380</u>	
Total Deferred Outflows of Resources Related to Pensions		10,767,917
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(1,083,394)	
Differences between projected and actual earnings on pension plan	(685,659)	
Differences between expected and actual experience in the measurement of the total pension liability.	(449,033)	
Changes of assumptions	<u>(109,126)</u>	
Total Deferred Inflows of Resources Related to Pensions		(2,327,212)
Deferred inflows of resources related to OPEB represent an acquisition of net position in a future period and is not reported in the District's funds. Deferred inflows of resources related to OPEB at year-end consist of changes of assumptions.		
		(215,013)

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

# CORONADO UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (Continued) JUNE 30, 2018

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Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of amounts paid by the District for OPEB as the benefits comes due subsequent to the measurement date.	\$ 385,415
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(35,013,570)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term obligations at year-end consist of:	
General obligation bonds	\$ (8,520,000)
Unamortized premium on bonds	(1,034,222)
Certificates of participation	(7,545,000)
Unamortized premium on certificates of participation	(224,074)
Compensated absences (vacations)	(139,075)
Supplemental early retirement program	(805,092)
Net other postemployment benefits (OPEB) liability	<u>(6,034,927)</u>
Total Long-Term Obligations	<u>(24,302,390)</u>
<b>Total Net Position - Governmental Activities</b>	<b><u>\$ 65,204,013</u></b>

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



# CORONADO UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Local control funding formula	\$ 24,321,596	\$ -	\$ -	\$ 24,321,596
Federal sources	3,135,921	-	118,538	3,254,459
Other State sources	2,941,043	-	346,680	3,287,723
Other local sources	4,026,993	2,574,762	2,335,448	8,937,203
<b>Total Revenues</b>	<b>34,425,553</b>	<b>2,574,762</b>	<b>2,800,666</b>	<b>39,800,981</b>
<b>EXPENDITURES</b>				
Current				
Instruction	22,579,135	-	160,034	22,739,169
Instruction-related activities:				
Supervision of instruction	314,240	-	39,361	353,601
Instructional library, media, and technology	948,123	-	-	948,123
School site administration	2,559,771	-	118,148	2,677,919
Pupil services:				
Home-to-school transportation	681,987	-	-	681,987
Food services	3,216	-	666,051	669,267
All other pupil services	2,275,433	-	-	2,275,433
Administration:				
All other administration	1,999,974	-	19,282	2,019,256
Plant services	3,055,577	495,410	222,946	3,773,933
Ancillary services	440,345	-	-	440,345
Community services	340,792	-	328,992	669,784
Enterprise services	15,850	-	-	15,850
Facility acquisition and construction	169,031	414,841	18,546	602,418
Debt service				
Principal	-	-	995,000	995,000
Interest and other	-	-	615,920	615,920
<b>Total Expenditures</b>	<b>35,383,474</b>	<b>910,251</b>	<b>3,184,280</b>	<b>39,478,005</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(957,921)</b>	<b>1,664,511</b>	<b>(383,614)</b>	<b>322,976</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,255,610	-	25,968	1,281,578
Transfers out	(79,821)	(1,255,610)	-	(1,335,431)
<b>Net Financing Sources (Uses)</b>	<b>1,175,789</b>	<b>(1,255,610)</b>	<b>25,968</b>	<b>(53,853)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>217,868</b>	<b>408,901</b>	<b>(357,646)</b>	<b>269,123</b>
<b>Fund Balances - Beginning</b>	<b>6,016,033</b>	<b>10,476,798</b>	<b>3,142,694</b>	<b>19,635,525</b>
<b>Fund Balances - Ending</b>	<b>\$ 6,233,901</b>	<b>\$ 10,885,699</b>	<b>\$ 2,785,048</b>	<b>\$ 19,904,648</b>

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

**CORONADO UNIFIED SCHOOL DISTRICT**

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

---

**Total Net Change in Fund Balances - Governmental Funds** **\$ 269,123**  
**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 outlays in the period.

Depreciation expense	\$ (3,678,128)	
Capital outlay	622,814	
Net Expense Adjustment		(3,055,314)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are 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). This year, there were \$201,273 in special termination benefits paid. Vacation earned was more than the amount used by \$35,733.

165,540

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.

(1,279,085)

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

273,759

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

**CORONADO UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued) FOR THE YEAR ENDED JUNE 30, 2018**

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Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium	\$ 673,617	
Amortization of deferred charge on refunding	<u>(28,703)</u>	
Combined Adjustment		\$ 644,914

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds	690,000
Certificates of participation	305,000

Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

	<u>160,665</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (1,825,398)</u></u></b>

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

**CORONADO UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	<b>Business-Type Activities Enterprise Funds Preschool Enterprise Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 160,085
Receivables	434
Due from other funds	98,588
<b>Total Assets</b>	<u>259,107</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions	<u>163,841</u>
 <b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	13,458
Due to other funds	18,199
<b>Total Current Liabilities</b>	<u>31,657</u>
<b>Noncurrent Liabilities</b>	
Net pension liability	<u>524,670</u>
<b>Total Liabilities</b>	<u>556,327</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	<u>22,466</u>
 <b>NET POSITION</b>	
Restricted	(155,845)
<b>Total Net Position</b>	<u>\$ (155,845)</u>

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

**CORONADO UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION  
JUNE 30, 2018**

---

	<b>Business-Type Activities</b>
	<b>Preschool</b>
	<b>Enterprise Fund</b>
<b>OPERATING REVENUES</b>	
Other local revenues	\$ 397,819
<b>OPERATING EXPENSES</b>	
Payroll costs	575,019
Supplies and materials	8,239
Other operating cost	755
<b>Total Operating Expenses</b>	<b>584,013</b>
<b>Operating Loss</b>	<b>(186,194)</b>
<b>NONOPERATING REVENUES</b>	
Interest income	1,590
Transfers in	75,270
Transfers out	(21,417)
Grants	10,448
<b>Total Nonoperating Revenue</b>	<b>65,891</b>
<b>Change in Net Position</b>	<b>(120,303)</b>
<b>Total Net Position - Beginning</b>	<b>(35,542)</b>
<b>Total Net Position - Ending</b>	<b>\$ (155,845)</b>

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

**CORONADO UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
JUNE 30, 2018**

	<b>Business-Type Activities</b>
	<b>Preschool Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from user charges	\$ 412,560
Cash receipts from interfund services provided	35,896
Cash payments to employees for services	(519,526)
Cash payments to other suppliers of goods or services	(6,237)
Cash payments for other operating expenses	(755)
Net Cash Used by Operating Activities	<u>(78,062)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Nonoperating grants received	<u>10,448</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Transfers from other funds	<u>53,853</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>1,590</u>
Net Decrease in Cash and Cash Equivalents	(12,171)
Cash and Cash Equivalents - Beginning	<u>172,256</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 160,085</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (186,194)
Changes in assets and liabilities:	
Receivables	14,741
Due from other fund	35,896
Deferred outflows of resources	(28,713)
Accounts payables	2,002
Due to other fund	(74,027)
Deferred inflows of resources	9,420
Net pension liability	148,813
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (78,062)</u></u>

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

**CORONADO UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

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	<u>Student Body Fund</u>
<b>ASSETS</b>	
Deposits and investments	\$ 644,188
<b>LIABILITIES</b>	
Due to student groups	\$ 644,188

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

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Financial Reporting Entity**

The Coronado Unified School District (the District) was organized on June 20, 1913, 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-12 as mandated by the State and/or Federal agencies. The District operates two elementary schools, one middle school, one high school, one preschool program, and an adult education 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 the District, this includes general operations, food service, and student related activities of the District.

#### **Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit described below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements of the District. The component unit, although a legally separate tax-exempt entity, is reported in the financial statements using the discrete presentation method as the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District; the District is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the separate organization; and the economic resources received from or held by an individual organization are significant to the District.

The District has one component unit based on the criteria above; the Coronado School Foundation (the Foundation). The Foundation, a California non-profit public benefit corporation that raises funds for the benefit of the District is reported as a discretely presented component unit in the District's audited financial statements.

#### **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 two broad fund categories: governmental and fiduciary.



# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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**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 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 function 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 a result, the General Fund reflects an increase in fund balance, of \$2,818,548.

**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).

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue funds are used 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, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

**Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

**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.

**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).

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

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

**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 approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). 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).

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of 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).

**Permanent Funds** The Permanent funds were introduced as part of the governmental financial reporting model established by GASB Statement No. 34 to account for permanent foundations that benefit a district.

**Foundation Permanent Fund** The Foundation Permanent Fund is used to account for resources received from gifts or bequests pursuant to *Education Code* Section 41031 that are restricted to the extent that earnings, but not principal, may be used for purposes that support the District's own programs and where there is a formal trust agreement with the donor.

**Proprietary Funds** Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

**Preschool 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 preschool of the District.

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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**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. The District does not have any trust funds. The District's 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 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.

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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**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 a 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 reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**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 90 days. However, to achieve comparability of reporting among California districts 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 districts 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 requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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**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 entity-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, 2018, 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 investment in the county investment pool are determined by the program sponsor.

### **Prepaid Expenditures (Expenses)**

Prepaid expenditures (expenses) 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 incurred.

### **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 funds, and as expenses in the fiduciary funds.

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General 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 general capital assets are 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.

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

### Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### Compensated Absences

Compensated absences are accrued as a liability on the government-wide statement of net position as the benefits are earned. For governmental funds, unpaid compensation absences are recognized as a fund liability only 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 recorded 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.

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### **Accrued Liabilities and Long-Term Obligations**

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

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 fund financial statements only to the extent that they are due for payment during the current year. Bonds, certificates of participation, and capital leases are recognized as liabilities in the governmental fund financial statements when due.

### **Debt Issuance Costs, Premiums, and Discounts**

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

In governmental fund financial statements, bond premiums 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 deferred charges on refunding of debt, for pension related items, and for OPEB related items.

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 OPEB related items and for pension related items.

### **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.

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

### Fund Balances - Governmental Funds

As of June 30, 2018, 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. The District currently does not have any committed funds.

**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.



# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### **Net Position**

Net position represents the difference between assets and liabilities. Net position net of 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 is 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 \$2,769,593 of net position restricted by enabling legislation.

### **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 charges for the preschool program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Interfund Activity**

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

### **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.

### **Property Tax**

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

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

### **New Accounting Pronouncements**

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 19,901,768
Business-type activities	160,085
Fiduciary funds	644,188
Component Unit - Coronado Schools Foundation	7,237,193
Total Deposits and Investments	<u>\$ 27,943,234</u>

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	\$ 1,585,711
Cash in revolving	10,600
Investments	26,346,923
Total Deposits and Investments	<u>\$ 27,943,234</u>

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 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.

The Coronado Schools Foundation may invest pursuant to Corporations Code Section 5240 and in accordance with their bylaws.

**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.

### General Authorizations

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

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

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by primarily investing in the San Diego County Treasury Investment Pool. The District maintains an investment of \$19,880,925 with San Diego County Treasury Investment Pool that has an average weighted maturity of 345 days.

### 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 San Diego County Treasury Investment Pool is not required to be rated, nor has it been rated as of June 30, 2018.

### Coronado Schools Foundation Investments

Investments are reported at fair value and consist of the following at June 30, 2018:

	Cost	Fair Value
Stock Mutual Funds	\$ 3,273,646	\$ 4,411,015
Bond Mutual Funds	2,025,961	2,042,658
Cash Reserves	12,325	12,325
	<u>\$ 5,311,932</u>	<u>\$ 6,465,998</u>

### 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, 2018, the District had a bank balance of \$450,175 that was exposed to custodial credit risk because it was uninsured and uncollateralized.

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

### NOTE 3 - FAIR VALUE MEASUREMENTS

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

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

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

Investment Type	Reported Amount	Fair Value Measurements	
		Using Level 1 Inputs	Uncategorized
San Diego County Treasury Investment Pool	\$ 19,880,925	-	\$ 19,880,925
Stock Mutual Funds*	4,411,015	4,411,015	-
Bond Mutual Funds*	2,042,658	2,042,658	-
Cash Reserves*	12,325	12,325	-
<b>Total</b>	<b>\$ 26,346,923</b>	<b>\$ 6,465,998</b>	<b>\$ 19,880,925</b>

\*Investments held by the Component Unit – Coronado Schools Foundation

Assets have been valued using a market approach, with quoted market prices.



**CORONADO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total	Proprietary Funds
Federal Government					
Categorical aid	\$ 732,919	\$ -	\$ 21,839	\$ 754,758	\$ -
State Government					
Categorical aid	163,171	-	69,174	232,345	-
Lottery	129,197	-	-	129,197	-
Local Government					
Interest	49,843	42,141	7,345	99,329	434
Other Local Sources	567,266	-	120,961	688,227	-
Total	<u>\$ 1,642,396</u>	<u>\$ 42,141</u>	<u>\$ 219,319</u>	<u>\$ 1,903,856</u>	<u>\$ 434</u>

**CORONADO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 5 - CAPITAL ASSETS**

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 569,979	\$ -	\$ -	\$ 569,979
Construction in process	95,875	14,941	91,887	18,929
Total Capital Assets Not Being Depreciated	665,854	14,941	91,887	588,908
Capital Assets Being Depreciated				
Land improvements	18,117,210	285,016	-	18,402,226
Buildings and improvements	125,245,926	217,312	-	125,463,238
Furniture and equipment	3,880,415	197,432	-	4,077,847
Total Capital Assets Being Depreciated	147,243,551	699,760	-	147,943,311
Less Accumulated Depreciation				
Land improvements	11,058,945	871,892	-	11,930,837
Buildings and improvements	34,989,460	2,513,186	-	37,502,646
Furniture and equipment	2,902,690	293,050	-	3,195,740
Total Accumulated Depreciation	48,951,095	3,678,128	-	52,629,223
Governmental Activities Capital Assets, Net	<u>\$98,958,310</u>	<u>\$ (2,963,427)</u>	<u>\$ 91,887</u>	<u>\$ 95,902,996</u>

Depreciation expense was charged as unallocated on the Statement of Activities.

**CORONADO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 6 - 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, 2018, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

Due To	Due From				Total
	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Preschool Enterprise Fund	
General Fund	\$ -	\$ 1,255,610	\$ 281,346	\$ 658	\$ 1,537,614
Special Reserve Fund for Capital Outlay Projects	2,414,752	-	27,954	-	2,442,706
Non-Major Governmental Funds	163,078	-	8,505	17,541	189,124
Preschool Enterprise Fund	98,588	-	-	-	98,588
<b>Total</b>	<b>\$ 2,676,418</b>	<b>\$ 1,255,610</b>	<b>\$ 317,805</b>	<b>\$ 18,199</b>	<b>\$ 4,268,032</b>

The balance of \$1,255,610 due to the General Fund from the Special Reserve Fund for Capital Outlay Projects resulted from operational support costs.

The balance of \$2,414,752 due to the Special Reserve Fund for Capital Outlay Projects from the General Fund resulted from redevelopment agency funds.

A balance of \$37,156 due to the General Fund from the Adult Education Non-Major Governmental Fund is for indirect and payroll support costs.

A balance of \$41,408 due to the General Fund from the Child Development Non-Major Governmental Fund is for reimbursement of program support costs.

A balance of \$99,856 due to the General Fund from the Cafeteria Non-Major Governmental Fund is for reimbursement of program support costs.

A balance of \$98,210 due to the General Fund from the Foundation Special Reserve Non-Major Governmental Fund is for indirects and payroll support costs.

A balance of \$101,818 due to the Deferred Maintenance Non-Major Governmental Fund resulted from a program contribution.

All remaining balance resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

**CORONADO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfer To	Transfer From			Total
	General Fund	Special Reserve Fund for Capital Outlay Projects	Preschool Enterprise Fund	
General Fund	\$ -	\$ 1,255,610	\$ -	\$ 1,255,610
Non-Major Governmental Funds	4,551	-	21,417	25,968
Preschool Enterprise Fund	75,270	-	-	75,270
Total	<u>\$ 79,821</u>	<u>\$ 1,255,610</u>	<u>\$ 21,417</u>	<u>\$ 1,356,848</u>

The General Fund transferred to the Child Development Non-Major Governmental Fund for program contribution.	\$ 4,551
The General Fund transferred to the Preschool Enterprise Fund for student services rendered.	75,270
The Special Reserve Fund for Capital Outlay Projects transferred to the General Fund for operational support of maintenance project costs.	1,255,610
The Preschool Enterprise Fund transferred to the Child Development Non-Major Governmental Fund for reimbursement of program costs.	138
The Preschool Enterprise Fund transferred to the Cafeteria Non-Major Governmental Fund for services rendered.	21,279
Total	<u>\$ 1,356,848</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CORONADO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 7 - ACCOUNTS PAYABLE**

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

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund
Salaries and benefits	\$ 397,330	\$ -	\$ 25,557	\$ 422,887	\$ 9,249
Principal apportionment	462,447	-	-	462,447	-
Materials and supplies	20,042	9,301	185	29,528	-
Other services	484,427	15,516	13,292	513,235	-
Construction	-	31,384	-	31,384	-
Other vendor payables	2,119	5,940	365	8,424	4,209
Total	<u>\$ 1,366,365</u>	<u>\$ 62,141</u>	<u>\$ 39,399</u>	<u>\$ 1,467,905</u>	<u>\$ 13,458</u>

**NOTE 8 - UNEARNED REVENUE**

Unearned revenue at June 30, 2018, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
State categorical aid	\$ 334,340	\$ -	\$ 334,340
Other local	-	31,102	31,102
Total	<u>\$ 334,340</u>	<u>\$ 31,102</u>	<u>\$ 365,442</u>

**CORONADO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

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

	(as Restated)			Balance June 30, 2018	Due in One Year
	Balance July 1, 2017	Additions	Deductions		
General obligation bonds	\$ 9,210,000	\$ -	\$ 690,000	\$ 8,520,000	\$ 695,000
Unamortized premium	1,158,329	-	124,107	1,034,222	-
Certificates of participation	7,850,000	-	305,000	7,545,000	315,000
Unamortized premium	773,584	-	549,510	224,074	-
Supplemental early retirement plan	1,006,365	-	201,273	805,092	201,273
Accumulated vacation - net	103,342	35,733	-	139,075	-
Net other postemployment benefits (OPEB) liability	6,138,284	535,115	638,472	6,034,927	-
	<u>\$ 26,239,904</u>	<u>\$ 570,848</u>	<u>\$ 2,508,362</u>	<u>\$ 24,302,390</u>	<u>\$ 1,211,273</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The Capital Facilities Fund makes payments for the Certificates of Participation. The accrued vacation will be paid by the fund for which the employee worked. The supplemental early retirement plan and net other postemployment benefits (OPEB) liability are paid 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, 2017	Redeemed	Outstanding June 30, 2018
2/23/12	8/1/26	2.00-5.00%	\$ 12,100,000	\$ 9,210,000	\$ 690,000	\$ 8,520,000

**2012 General Obligation Bonds**

On February 23, 2012, the District issued \$12,100,000 of 2012 General Obligation Bonds, in serial and term bonds. The bonds have a final maturity to occur on August 1, 2026, with interest rates ranging from 2.00 to 5.00 percent. The bonds were issued to currently refund all of the District's outstanding General Obligation Bonds 1998 Election Series A, to advance refund a portion of the District's outstanding General Obligation Bonds 1998 Election, Series B, and pay the costs of issuing the Bonds. At June 30, 2018, the principal balance outstanding on the 2012 General Obligation Bonds was \$8,520,000 and unamortized premium received on issuance of the bonds amounted to \$1,034,222.

**CORONADO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Debt Service Requirements to Maturity - All Series**

The bonds mature through 2027 as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 695,000	\$ 346,050	\$ 1,041,050
2020	745,000	317,250	1,062,250
2021	790,000	286,550	1,076,550
2022	845,000	253,850	1,098,850
2023	900,000	216,100	1,116,100
2024-2027	4,545,000	448,725	4,993,725
Total	<u>\$ 8,520,000</u>	<u>\$ 1,868,525</u>	<u>\$ 10,388,525</u>

**Certificates of Participation**

On March 5 2015, the District issued \$8,420,000 Certificates of Participation pursuant to a lease agreement with the Public Property Financing Corporation of California. The proceeds of the certificates were used to refund the District Certificates of Participation (2005 Financing Project) and pay certain costs of issuance of the Certificates. Interest rates on the refunding certificates range from 2.125 to 5.000 percent. The refunding certificates have a final maturity to occur on November 1, 2035. As of June 30, 2018, the principal balance outstanding was \$7,545,000 and unamortized premium received on issuance of the certificates amounted to \$224,074.

The certificates mature through 2036, as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 315,000	\$ 231,744	\$ 546,744
2020	325,000	218,944	543,944
2021	340,000	205,644	545,644
2022	355,000	191,744	546,744
2023	365,000	177,344	542,344
2024-2028	2,005,000	716,316	2,721,316
2029-2033	2,290,000	414,863	2,704,863
2034-2036	1,550,000	73,435	1,623,435
Total	<u>\$ 7,545,000</u>	<u>\$ 2,230,034</u>	<u>\$ 9,775,034</u>

**CORONADO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**Supplemental Early Retirement Plan**

In 2017, the District offered a supplemental early retirement plan to eligible employees who elected to retire. The benefit was offered to 23 employees who retired on or before June 30, 2017. The District purchased an annuity through United of Omaha for the 23 employees. Benefit payments are scheduled to be paid over 5 years beginning July 1, 2017. Future payments are as follows:

Year Ending June 30,	Total Payments
2019	\$ 201,273
2020	201,273
2021	201,273
2022	201,273
Total	<u>\$ 805,092</u>

**Accumulated Unpaid Employee Vacation**

The accumulated unpaid employee vacation for the District at June 30, 2018, amounted to \$139,075.

**Net Other Postemployment Benefits (OPEB) Liability**

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 5,821,448	\$ 385,415	\$ 215,013	\$ 82,816
Medicare Premium Payment (MPP) Program	213,479	-	-	(20,541)
Total	<u>\$ 6,034,927</u>	<u>\$ 385,415</u>	<u>\$ 215,013</u>	<u>\$ 62,275</u>

The details of each plan are as follows:

**District Plan**

**Plan Administration**

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.



# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### *Plan Membership*

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	65
Active employees	291
	<hr/>
	<u>356</u>

### *Benefits Provided*

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Association of Coronado Teachers (ACT), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, ACT, CSEA, and unrepresented groups. For fiscal year 2017-2018, the District paid \$385,415 in benefits.

### **Total OPEB Liability of the District**

The District's total OPEB liability of \$5,821,448 was measured as of June 30, 2017, and the total OPEB liability was determined by an actuarial valuation as of that date.

### *Actuarial Assumptions*

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

Inflation	2.75 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	3.40 percent
Healthcare cost trend rates	6.50 percent for 2017

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

Mortality rates were based on the most recent rates used by CalPERS and STRS for the pension valuations.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

**CORONADO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2016	\$ 5,904,264
Service cost	361,764
Interest	173,351
Changes of assumptions	(250,848)
Benefit payments	(367,083)
Net change in total OPEB liability	(82,816)
Balance at June 30, 2017	<u>\$ 5,821,448</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent in 2016 to 3.40 percent in 2017.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

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

Discount Rate	Total OPEB Liability
1% decrease (2.40%)	\$ 6,286,051
Current discount rate (3.40%)	5,821,448
1% increase (4.40%)	5,394,483

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (5.50%)	\$ 5,276,845
Current healthcare cost trend rate (6.50%)	5,821,448
1% increase (7.50%)	6,455,507

**CORONADO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**OPEB Expense, Deferred Outflows and Resources, and Deferred Inflows of Resources related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of \$82,816. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Amounts paid by the District for OPEB as the benefits come due subsequent to the measurement date	\$ 385,415	\$ -
Changes of assumptions	-	215,013
Total	<u>\$ 385,415</u>	<u>\$ 215,013</u>

Amounts reported as deferred outflows of resources related to OPEB for amounts paid by the District for OPEB as the benefits come due subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year. Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Outflows/(Inflows) of Resources</u>
2019	\$ (35,835)
2020	(35,835)
2021	(35,835)
2022	(35,835)
2022	(35,835)
Thereafter	(35,838)
	<u>\$ (215,013)</u>

**Medicare Premium Payment (MPP) Program**

**Plan Description**

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

### Net OPEB Liability and OPEB Expense,

At June 30, 2018, the District reported a liability of \$213,479 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0507 percent, and 0.0500 percent, resulting in a net increase in the proportionate share of 0.0007 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$(20,541).

### Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

### **Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

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

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	\$ 236,336
Current discount rate (3.58%)	213,479
1% increase (4.58%)	191,246

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates*

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rate, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 192,911
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	213,479
1% increase (4.7% Part A and 5.1% Part B)	233,842

### NOTE 10 - FUND BALANCES

Fund balances composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
<b>Nonspendable</b>				
Revolving cash	\$ 10,000	\$ -	\$ 600	\$ 10,600
Prepaid expenditures	-	-	12,760	12,760
Total Nonspendable	<u>10,000</u>	<u>-</u>	<u>13,360</u>	<u>23,360</u>
<b>Restricted</b>				
Legally restricted programs	771,765	74,602	553,490	1,399,857
Capital projects	-	-	368,825	368,825
Debt services	-	-	1,100,577	1,100,577
Total Restricted	<u>771,765</u>	<u>74,602</u>	<u>2,022,892</u>	<u>2,869,259</u>
<b>Assigned</b>				
Adult education program	-	-	38,088	38,088
Deferred maintenance program	-	-	684,042	684,042
Capital projects	-	10,811,097	-	10,811,097
Other program balances	1,564,289	-	26,666	1,590,955
Total Assigned	<u>1,564,289</u>	<u>10,811,097</u>	<u>748,796</u>	<u>13,124,182</u>
<b>Unassigned</b>				
Reserve for economic uncertainties	1,069,299	-	-	1,069,299
Remaining unassigned	2,818,548	-	-	2,818,548
Total Unassigned	<u>3,887,847</u>	<u>-</u>	<u>-</u>	<u>3,887,847</u>
Total	<u>\$ 6,233,901</u>	<u>\$ 10,885,699</u>	<u>\$ 2,785,048</u>	<u>\$ 19,904,648</u>

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### NOTE 11 - LEASE REVENUES

The District has property held for lease with an estimated cost of \$2,590,000 and accumulated depreciation of \$1,424,500. Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for the cancellation after a specified number of days written notice to lessors, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2019	\$ 317,901
2020	317,901
2021	317,901
2022	317,901
Total	<u>\$ 1,271,604</u>

### NOTE 12 - RISK MANAGEMENT

#### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District contracted with the San Diego County Schools Risk Management (SDCSRМ) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### Workers' Compensation

For fiscal year 2018, the District participated in the San Diego County Schools Risk Management (SDCSRМ), an insurance purchasing pool. The intent of the SDCSRМ is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SDCSRМ. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SDCSRМ. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the SDCSRМ. Participation in the SDCSRМ is limited to districts that can meet the SDCSRМ selection criteria.

#### Employee Medical Benefits

The District has contracted with the California Schools Voluntary Employee Benefits Association (VEBA) to provide employee health benefits. VEBA is a joint labor-management trust comprised of more than 65 participating employers. The District contracts with VEBA to administer the employee benefits through Kaiser and United Health Care plans. Additional dental and vision benefits are provided by the San Diego County Schools Risk Management Joint Powers Authority.

**CORONADO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 13 - 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).

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 25,920,377	\$ 7,723,573	\$ 2,110,526	\$ 2,333,809
CalPERS	9,617,863	3,208,185	239,152	1,925,730
Total	<u>\$ 35,538,240</u>	<u>\$ 10,931,758</u>	<u>\$ 2,349,678</u>	<u>\$ 4,259,539</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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

**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.



# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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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, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
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	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

### Contributions

Required member, District, and State of California 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, 2018, are presented above and the District's total contributions were \$2,127,270.

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 25,920,377
State's proportionate share of the net pension liability associated with the District	<u>15,334,276</u>
Total	<u><u>\$ 41,254,653</u></u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0280 percent and 0.0281 percent, resulting in a net decrease in the proportionate share of 0.0001 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$2,333,809. In addition, the District recognized pension expense and revenue of \$1,543,542 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,127,270	\$ -
Net change in proportionate share of net pension liability	698,394	968,101
Differences between projected and actual earnings on pension plan investments	-	690,332
Differences between expected and actual experience in the measurement of the total pension liability	95,856	452,093
Changes of assumptions	<u>4,802,053</u>	<u>-</u>
Total	<u><u>\$ 7,723,573</u></u>	<u><u>\$ 2,110,526</u></u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

**CORONADO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (573,898)
2020	434,271
2021	62,619
2022	(613,324)
Total	<u>\$ (690,332)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 689,251
2020	689,251
2021	689,251
2022	689,255
2023	588,552
Thereafter	830,549
Total	<u>\$ 4,176,109</u>

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### Actuarial Methods and Assumptions

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

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 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 (6.10%)	\$ 38,059,343
Current discount rate (7.10%)	25,920,377
1% increase (8.10%)	16,068,784

### 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, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 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, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
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	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are 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, 2018, are presented above and the total District contributions were \$723,663.

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$9,617,863. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0403 percent and 0.0423 percent, resulting in a net decrease in the proportionate share of 0.0020 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$1,925,730. At June 30, 2018, 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	\$ 723,663	\$ -
Net change in proportionate share of net pension liability	402,401	125,914
Differences between projected and actual earnings on pension plan investments	332,712	-
Differences between expected and actual experience in the measurement of the total pension liability	344,569	-
Changes of assumptions	1,404,840	113,238
Total	<u>\$ 3,208,185</u>	<u>\$ 239,152</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (9,015)
2020	383,878
2021	140,043
2022	(182,194)
Total	<u>\$ 332,712</u>

**CORONADO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 738,976
2020	725,638
2021	448,044
Total	<u>\$ 1,912,658</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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.



# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

### Discount Rate

The discount rate used to measure the total pension liability was 7.15 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:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 14,150,958
Current discount rate (7.15%)	9,617,863
1% increase (8.15%)	5,857,280

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### **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 \$1,105,520 (9.328 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. Accordingly, these amounts have been recorded in these financial statements.

### **NOTE 14 - 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, 2018.

#### **Litigation**

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

### **NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES**

The District is a member of the San Diego County Schools Risk Management Joint Powers Authority public entity risk pool. The District pays an annual premium to the entity for its workers' compensation, and property and liability coverage. The relationship between the District and the pool is such that it is not a component unit of the District for financial reporting purposes.

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

During the year ended June 30, 2018, the District made payments totaling \$843,547 for annual premiums.

**CORONADO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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**NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION**

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

**Government-Wide Financial Statements**

Net Position - Beginning	\$ 71,223,869
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	<u>(4,194,458)</u>
Net Position - Beginning as Restated	<u><u>\$ 67,029,411</u></u>

***REQUIRED SUPPLEMENTARY INFORMATION***

# CORONADO UNIFIED SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances -</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Positive (Negative) Final to Actual</u>
<b>REVENUES</b>				
Local control funding formula	\$24,120,610	\$24,152,216	\$ 24,321,596	\$ 169,380
Federal sources	2,780,836	2,998,453	3,135,921	137,468
Other State sources	2,777,181	3,154,081	2,941,043	(213,038)
Other local sources	3,845,908	3,992,021	4,026,993	34,972
<b>Total Revenues</b> <sup>1</sup>	<u>33,524,535</u>	<u>34,296,771</u>	<u>34,425,553</u>	<u>128,782</u>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	15,277,930	15,077,399	14,973,011	104,388
Classified salaries	5,465,958	5,446,238	5,281,509	164,729
Employee benefits	8,977,883	8,850,377	8,659,617	190,760
Books and supplies	979,186	1,121,427	851,121	270,306
Services and operating expenditures	5,315,288	5,608,397	5,463,751	144,646
Other outgo	(16,673)	(14,418)	(14,566)	148
Capital outlay	32,000	67,213	169,031	(101,818)
<b>Total Expenditures</b> <sup>1</sup>	<u>36,031,572</u>	<u>36,156,633</u>	<u>35,383,474</u>	<u>773,159</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(2,507,037)</u>	<u>(1,859,862)</u>	<u>(957,921)</u>	<u>901,941</u>
<b>Other Financing Uses</b>				
Transfers in	2,767,802	2,148,213	1,255,610	(892,603)
Transfers out	(282,000)	(287,351)	(79,821)	207,530
<b>Net Financing Sources (Uses)</b>	<u>2,485,802</u>	<u>1,860,862</u>	<u>1,175,789</u>	<u>(685,073)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(21,235)	1,000	217,868	216,868
<b>Fund Balances - Beginning, as restated</b>	<u>6,016,033</u>	<u>6,016,033</u>	<u>6,016,033</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 5,994,798</u>	<u>\$ 6,017,033</u>	<u>\$ 6,233,901</u>	<u>\$ 216,868</u>

<sup>1</sup> Due to the consolidation of Fund 17, Special Reserve Fund for 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) revenues and expenditures, however are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

**CORONADO UNIFIED SCHOOL DISTRICT**

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

	<u>2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 361,764
Interest	173,351
Changes of assumptions	(250,848)
Benefit payments	<u>(367,083)</u>
<b>Net change in total OPEB liability</b>	(82,816)
<b>Total OPEB liability - beginning</b>	<u>5,904,264</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 5,821,448</u></u>
<b>Covered payroll</b>	<u>N/A<sup>1</sup></u>
<b>District's total OPEB liability as a percentage of covered payroll</b>	<u>N/A<sup>1</sup></u>

<sup>1</sup> The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

See accompanying note to required supplementary information.

**CORONADO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
OPEB LIABILITY – MPP PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2018**

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Year ended June 30,	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.0507%</u>
District's proportionate share of the net OPEB liability	<u>\$ 213,479</u>
District's covered-employee payroll	<u>N/A<sup>1</sup></u>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	<u>N/A<sup>1</sup></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.01%</u>

<sup>1</sup> As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

See accompanying note to required supplementary information.

**CORONADO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability	<u>0.0280%</u>	<u>0.0281%</u>
District's proportionate share of the net pension liability	\$ 25,920,377	\$ 22,740,043
State's proportionate share of the net pension liability associated with the District	<u>15,334,276</u>	<u>12,947,406</u>
Total	<u>\$ 41,254,653</u>	<u>\$ 35,687,449</u>
District's covered - employee payroll	<u>\$ 14,795,374</u>	<u>\$ 14,292,917</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>175%</u>	<u>159%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>
<b>CalPERS</b>		
District's proportion of the net pension liability	<u>0.0403%</u>	<u>0.0423%</u>
District's proportionate share of the net pension liability	<u>\$ 9,617,863</u>	<u>\$ 8,355,567</u>
District's covered - employee payroll	<u>\$ 4,944,032</u>	<u>\$ 4,973,409</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>195%</u>	<u>168.0%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>

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

See accompanying note to required supplementary information.



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<u>2016</u>	<u>2015</u>
<u>0.0300%</u>	<u>0.0310%</u>
\$ 20,162,554	\$ 18,330,756
<u>10,663,739</u>	<u>10,723,617</u>
<u>\$ 30,826,293</u>	<u>\$ 29,054,373</u>
<u>\$ 13,403,559</u>	<u>\$ 13,971,576</u>
<u>150%</u>	<u>131.2%</u>
<u>74%</u>	<u>77%</u>
<u>0.0380%</u>	<u>0.0410%</u>
<u>\$ 5,582,365</u>	<u>\$ 4,634,375</u>
<u>\$ 4,189,082</u>	<u>\$ 4,285,370</u>
<u>133.3%</u>	<u>108.1%</u>
<u>79%</u>	<u>83%</u>

**CORONADO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 2,127,270	\$ 1,861,258
Contributions in relation to the contractually required contribution	<u>(2,127,270)</u>	<u>(1,861,258)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 14,741,996</u>	<u>\$ 14,795,374</u>
Contributions as a percentage of covered - employee payroll	<u>14.43%</u>	<u>12.58%</u>
<b>CalPERS</b>		
Contractually required contribution	\$ 723,663	\$ 686,726
Contributions in relation to the contractually required contribution	<u>(723,663)</u>	<u>(686,726)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 4,659,775</u>	<u>\$ 4,944,032</u>
Contributions as a percentage of covered - employee payroll	<u>15.53%</u>	<u>13.89%</u>

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

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<u>2016</u>	<u>2015</u>
\$ 1,533,630	\$ 1,190,236
<u>(1,533,630)</u>	<u>(1,190,236)</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 14,292,917</u>	<u>\$ 13,403,559</u>
<u>10.73%</u>	<u>8.88%</u>

\$ 589,349	\$ 493,055
<u>(589,349)</u>	<u>(493,055)</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 4,973,409</u>	<u>\$ 4,189,082</u>
<u>11.85%</u>	<u>11.77%</u>

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedule**

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

#### **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

*Change in Benefit Terms* – There were no changes in the benefit terms since the previous valuation

*Change of Assumptions* – The discount rate changed from 2.85 percent in 2016 to 3.40 percent in 2017.

#### **Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program**

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.

*Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

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

### **Schedule of District Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

***SUPPLEMENTARY INFORMATION***

**CORONADO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Title VIII, Impact Aid - Maintenance and Operations	84.041	[1]	\$ 1,827,887
Passed through California Department of Education (CDE):			
Carl D. Perkins Vocational and Technical Education Act of 1998:			
Secondary Education	84.048	14894	9,500
Title I, Part A - Low Income and Neglected	84.010	14329	175,012
Title I, Part G - Advanced Placement (AP) Test Fee Reimbursement Program	84.330	14831	241
Title II, Part A - Supporting Effective Instruction	84.367	14341	35,436
Title III, Immigrant Education	84.365	15146	9,130
Passed through South County Special Education Local Plan Area (SELPA):			
Special Education Cluster:			
Local Assistance Entitlement	84.027	13379	498,273
Mental Health Allocation Plan	84.027	14468	34,394
Preschool Local Entitlement	84.027A	13682	37,003
Federal Preschool	84.173	13430	11,850
Preschool Staff Development	84.173A	13431	130
Subtotal Special Education Cluster			<u>581,650</u>
Total U.S. Department of Education			<u>2,638,856</u>
<b>U.S. DEPARTMENT OF DEFENSE EDUCATION ACTIVITY</b>			
Support for Student Achievement at Military Connected Schools			
Support for Student Achievement at Military Connected Schools/SPED: Project M3, Math, Mindset and Mastery	12.556	[1]	259,373
Support for Student Achievement at Military Connected Schools/SPED: Project Arts for Learning	12.556	[1]	237,692
Subtotal Support for Student Achievement at Military Connected Schools			<u>497,065</u>
Total U.S. Department of Agriculture			<u>497,065</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
National School Lunch Program	10.555	13396	118,538
Total U.S. Department of Agriculture			<u>118,538</u>
Total Expenditures of Federal Awards			<u>\$ 3,254,459</u>

[1] Direct award, Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

# CORONADO UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2018

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### ORGANIZATION

The Coronado Unified School District was established June 20, 1913 and consists of an area comprising approximately 32.7 square miles. The District operates two elementary schools, one middle school, one high school, one preschool program, and one adult education program. There were no boundary changes during the year.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Maria Simon	President	2020
Lee Pontes	Vice President	2018
Julie Russell	Clerk	2020
Esther Valdes	Member	2018
Lou Smith	Member	2018

### ADMINISTRATION

Karl Mueller	Superintendent
Donnie Salamanca	Assistant Superintendent, Business Services

See accompanying note to supplementary information.



**CORONADO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2018**

	Amended Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	639.56	639.43
Fourth through sixth	606.48	606.47
Seventh and eighth	474.25	474.47
Ninth through twelfth	1,103.40	1,102.09
Total Regular ADA	<u>2,823.69</u>	<u>2,822.46</u>
Extended Year Special Education		
Transitional kindergarten through third	2.59	2.59
Fourth through sixth	1.41	1.41
Seventh and eighth	0.78	0.78
Ninth through twelfth	0.68	0.68
Total Extended Year Special Education	<u>5.46</u>	<u>5.46</u>
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	1.97	2.08
Seventh and eighth	3.89	3.95
Ninth through twelfth	5.08	5.47
Total Special Education, Nonpublic, Nonsectarian Schools	<u>10.94</u>	<u>11.50</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.30	0.30
Seventh and eighth	0.65	0.65
Ninth through twelfth	0.52	0.52
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>1.47</u>	<u>1.47</u>
Total ADA	<u><u>2,841.56</u></u>	<u><u>2,840.89</u></u>

See accompanying note to supplementary information.

**CORONADO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2018**

Grade Level	1986-87	2017-18	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	49,166	180	-	Complied
Grades 1 - 3	50,400				
Grade 1		51,556	180	-	Complied
Grade 2		51,556	180	-	Complied
Grade 3		51,556	180	-	Complied
Grades 4 - 6	54,000				
Grade 4		57,701	180	-	Complied
Grade 5		57,701	180	-	Complied
Grade 6		57,701	180	-	Complied
Grades 7 - 8	54,000				
Grade 7		58,405	180	-	Complied
Grade 8		58,405	180	-	Complied
Grades 9 - 12	64,800				
Grade 9		66,340	180	-	Complied
Grade 10		66,340	180	-	Complied
Grade 11		66,340	180	-	Complied
Grade 12		66,340	180	-	Complied

See accompanying note to supplementary information.

**CORONADO UNIFIED SCHOOL DISTRICT**

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

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

**CORONADO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

	(Budget)			
	2019 <sup>1</sup>	2018	2017	2016
<b>GENERAL FUND<sup>3</sup></b>				
Revenues	\$ 34,195,588	\$ 34,388,685	\$ 33,597,775	\$ 34,493,217
Other sources and transfers in	2,793,013	1,255,610	1,872,778	-
Total Revenues and Other Sources	<u>36,988,601</u>	<u>35,644,295</u>	<u>35,470,553</u>	<u>34,493,217</u>
Expenditures	36,722,823	35,383,474	35,119,467	37,547,255
Other uses and transfers out	264,778	259,821	357,644	-
Total Expenditures and Other Uses	<u>36,987,601</u>	<u>35,643,295</u>	<u>35,477,111</u>	<u>37,547,255</u>
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ (6,558)</u>	<u>\$ (3,054,038)</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 3,416,353</u>	<u>\$ 3,415,353</u>	<u>\$ 3,414,353</u>	<u>\$ 3,420,911</u>
<b>AVAILABLE RESERVES<sup>2</sup></b>	<u>\$ 3,928,176</u>	<u>\$ 3,887,847</u>	<u>\$ 2,513,780</u>	<u>\$ 2,647,810</u>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO</b>	<u>10.62%</u>	<u>10.91%</u>	<u>7.09%</u>	<u>7.05%</u>
<b>LONG-TERM OBLIGATIONS<sup>4</sup></b>	<u>N/A</u>	<u>\$ 24,302,390</u>	<u>\$ 26,239,904</u>	<u>\$ 21,523,871</u>
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2</b>	<u>2,792</u>	<u>2,842</u>	<u>2,976</u>	<u>3,057</u>

The General Fund balance has decreased by \$5,558 over the past two years. The fiscal year 2018-2019 budget projects an increase of \$1,000 (0.03 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 2018-2019 fiscal year. Total long-term obligations have increased by \$2,778,519 over the past two years.

Average daily attendance has decreased by 215 over the past two years. Additional decline of 50 ADA is anticipated during fiscal year 2018-2019.

<sup>1</sup> Budget 2019 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

<sup>3</sup> General Fund amounts do not include activity related to the consolidation of the Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

<sup>4</sup> Long-term obligations have been restated due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

**CORONADO UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2018**

	<b>Adult Education Fund</b>	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>ASSETS</b>				
Deposits and investments	\$ 222,021	\$ 13,339	\$ 96,999	\$ 579,571
Receivables	36,911	45,421	42,329	2,653
Due from other funds	42,371	8,985	29,904	101,818
Stores inventories	-	-	12,760	-
<b>Total Assets</b>	<u>\$ 301,303</u>	<u>\$ 67,745</u>	<u>\$ 181,992</u>	<u>\$ 684,042</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 15,419	\$ 2,365	\$ 5,065	\$ -
Due to other funds	37,156	49,913	99,856	-
Unearned revenue	-	-	31,102	-
<b>Total Liabilities</b>	<u>52,575</u>	<u>52,278</u>	<u>136,023</u>	<u>-</u>
<b>Fund Balances:</b>				
Nonspendable	-	-	13,360	-
Restricted	210,640	15,467	32,609	-
Assigned	38,088	-	-	684,042
<b>Total Fund Balances</b>	<u>248,728</u>	<u>15,467</u>	<u>45,969</u>	<u>684,042</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 301,303</u>	<u>\$ 67,745</u>	<u>\$ 181,992</u>	<u>\$ 684,042</u>

See accompanying note to supplementary information.

<b>Foundation Special Reserve Fund</b>	<b>Capital Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Foundation Permanent Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 74,130	\$ 372,083	\$ 1,100,577	\$ 293,431	\$ 2,752,151
89,204	1,458	-	1,343	219,319
6,046	-	-	-	189,124
-	-	-	-	12,760
<u>\$ 169,380</u>	<u>\$ 373,541</u>	<u>\$ 1,100,577</u>	<u>\$ 294,774</u>	<u>\$ 3,173,354</u>
\$ 16,550	\$ -	\$ -	\$ -	\$ 39,399
126,164	4,716	-	-	317,805
-	-	-	-	31,102
<u>142,714</u>	<u>4,716</u>	<u>-</u>	<u>-</u>	<u>388,306</u>
-	-	-	-	13,360
-	368,825	1,100,577	294,774	2,022,892
26,666	-	-	-	748,796
<u>26,666</u>	<u>368,825</u>	<u>1,100,577</u>	<u>294,774</u>	<u>2,785,048</u>
<u>\$ 169,380</u>	<u>\$ 373,541</u>	<u>\$ 1,100,577</u>	<u>\$ 294,774</u>	<u>\$ 3,173,354</u>

**CORONADO UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Adult Education Fund</b>	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>REVENUES</b>				
Federal sources	\$ -	\$ -	\$ 118,538	\$ -
Other State sources	216,001	122,343	6,350	-
Other local sources	42,495	10,028	565,203	8,999
<b>Total Revenues</b>	<u>258,496</u>	<u>132,371</u>	<u>690,091</u>	<u>8,999</u>
<b>EXPENDITURES</b>				
Current				
Instruction	57,581	102,453	-	-
Instruction-related activities:				
Supervision of instruction	38,061	-	-	-
School site administration	91,607	26,541	-	-
Pupil services:				
Food services	-	-	666,051	-
Administration:				
All other administration	8,454	6,112	-	-
Plant services	-	-	-	-
Community services	-	-	-	-
Facility acquisition and construction	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
<b>Total Expenditures</b>	<u>195,703</u>	<u>135,106</u>	<u>666,051</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>62,793</u>	<u>(2,735)</u>	<u>24,040</u>	<u>8,999</u>
<b>Other Financing Sources</b>				
Transfers in	-	4,689	21,279	-
<b>NET CHANGE IN FUND BALANCES</b>	62,793	1,954	45,319	8,999
<b>Fund Balances - Beginning</b>	185,935	13,513	650	675,043
<b>Fund Balances - Ending</b>	<u>\$ 248,728</u>	<u>\$ 15,467</u>	<u>\$ 45,969</u>	<u>\$ 684,042</u>

See accompanying note to supplementary information.

<b>Foundation Special Reserve Fund</b>	<b>Capital Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Foundation Permanent Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 118,538
-	-	1,986	-	346,680
487,865	164,247	1,052,197	4,414	2,335,448
487,865	164,247	1,054,183	4,414	2,800,666
-	-	-	-	160,034
-	-	-	1,300	39,361
-	-	-	-	118,148
-	-	-	-	666,051
-	4,716	-	-	19,282
222,946	-	-	-	222,946
328,992	-	-	-	328,992
18,546	-	-	-	18,546
-	305,000	690,000	-	995,000
-	244,120	371,800	-	615,920
570,484	553,836	1,061,800	1,300	3,184,280
(82,619)	(389,589)	(7,617)	3,114	(383,614)
-	-	-	-	25,968
(82,619)	(389,589)	(7,617)	3,114	(357,646)
109,285	758,414	1,108,194	291,660	3,142,694
\$ 26,666	\$ 368,825	\$ 1,100,577	\$ 294,774	\$ 2,785,048



# CORONADO UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

#### **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.

#### **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 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.

# CORONADO UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### **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 Balances Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

***INDEPENDENT AUDITOR'S REPORTS***



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

Governing Board  
Coronado Unified School District  
Coronado, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Coronado Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Coronado Unified School District's basic financial statements, and have issued our report thereon dated December 17, 2018.

***Emphasis of Matter - Change in Accounting Principles***

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control 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 Coronado Unified 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*.

We noted certain matters that we reported to management of Coronado Unified School District in a separate letter dated December 17, 2018.

### **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.

*Vavnick, Irwin, Day & Co., LLP*

Rancho Cucamonga, California  
December 17, 2018



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

Governing Board  
Coronado Unified School District  
Coronado, California

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

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

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

Management of Coronado Unified 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 Coronado Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Coronado Unified 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Vannink, Irwin, Day & Co., LLP*

Rancho Cucamonga, California  
December 17, 2018



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Coronado Unified School District  
Coronado, California

### **Report on State Compliance**

We have audited Coronado Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Coronado Unified School District's State government programs as noted below for the year ended June 30, 2018.

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

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

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

Our responsibility is to express an opinion on compliance of each of the Coronado Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Coronado Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Coronado Unified School District's compliance with those requirements.



***Unmodified Opinion***

In our opinion, Coronado Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	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
Apprenticeship: Related and Supplemental Instruction	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below

CHARTER SCHOOLS

Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	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

We did not perform testing over Independent Study because the ADA was below the materiality threshold required for testing.

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

The District did not offer an Early Retirement Incentive Program during the current year; 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 any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer an After/Before School Education and Safety Program; therefore, we did not perform any procedures related to the After/Before School Education and Safety Program.

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

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

*Vavink, Inc, Day & Co, LLP*

Rancho Cucamonga, California  
December 17, 2018

***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

**CORONADO UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None Reported</u>

Type of auditor's report issued on compliance for major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance? No

Identification of major Federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>84.041</u>	<u>Title VIII, Impact Aid</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000  
Auditee qualified as low-risk auditee? No

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs: Unmodified

**CORONADO UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**CORONADO UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**CORONADO UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**CORONADO UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

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





**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

VALUE THE *difference*

Governing Board  
Coronado Unified School District  
Coronado, California

In planning and performing our audit of the financial statements of Coronado Unified School District, (the District) for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 17, 2018, on the government-wide financial statements of the District.

### ***INTERNAL CONTROL***

#### **General Disbursements (including Travel and Conference)**

##### Observation

Five of the 40 general disbursements selected for testing were not preapproved. Seven of the 40 travel and conference disbursements selected were not preapproved and five were approved after the conference date.

##### Recommendation

All disbursements should be pre-approved prior to the transaction taking place. Disbursements should go through multiple levels of approval. One of those approvals is by the business department. The business department is responsible for reviewing account coding and making sure that expenditures are limited by established budgets. The District should take the necessary steps to ensure that all conference related expenditures are supported by an authorized conference request form that is pre-approved. This would allow the reviewing administrator to determine if the proposed conference related activities are appropriate for the funding source.

***ASSOCIATED STUDENT BODY (ASB)***

*Coronado Middle School*

Observations

During the testing of student body funds, the following issues were noted:

1. Based on review of the cash receipting procedures, cash is not being deposited in a timely manner. Deposits are only occurring once or twice a month with deposit dates ranging from 12 to 31 days from receipt date. Cash deposit documentation does not indicate that a dual count had be performed. All deposit slips are only signed by the bookkeeper to indicate the deposit was counted. In addition, cash collected by teachers, advisors, or clubs is not accounted for properly. Cash collections are not supported by sub-receipts or logs that tie the total to the cash count sheet. Of the 52 deposits selected for testing, 43 deposits did not have sufficient support or a paper trail; therefore, we were unable to confirm if these deposits were intact and deposited in a timely manner.
2. Based on the review of the disbursement procedures, seven of the 17 disbursements selected for testing were not preapproved by the student body prior to incurring the expense. In addition, four lacked receiving documentation (i.e. receiving signature).
3. Revenue potential forms do not have a section for actual revenue and actual costs. Through testing, one of the two fundraisers tested did not have expected expense and revenue section completed. As a result, expected versus actual results cannot be measured to determine whether the fundraiser was successful or any losses have occurred.
4. The bank reconciliation selected contained outstanding checks dating back to December 1, 2010. We noted 30 stale dated checks as of audit date totaling \$2,364. In addition, the bank reconciliation also contained outstanding deposits dating back to September 30, 2010. We noted 17 outstanding deposits totaling \$1,676.
5. At the beginning of the year, three change funds with \$200 each were created but were not presented on the balance sheet. In addition, there is a checking account with a balance of \$571 that does not exist. This bank account was closed two years ago but has not been removed from the books.
6. The ASB is not maintaining minutes for each meeting held. The ASB meets at least once a week but only records minutes for the monthly meeting.

Recommendations

1. At a minimum, deposits should be made once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site. Pre-numbered receipts should be issued for all cash collections and should include a specific description of the source of the funds. A carbon copy of the receipts issued by the teachers and advisors should be forwarded with the cash to the bookkeeper as documentation that all monies collected have been turned in. The receipts issued to teachers and advisors from the bookkeeper should be totaled and reconciled to the current bank deposit. The basic premise of a cash receipts system is that the receipts are written at the time the cash is collected and not at the time the deposit is being made. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases. The ASB should make sure that the expenditure authorization form is signed by all of the three authorized individuals. In addition, all goods ordered should be documented with explicit receiving documentation (i.e. receiving slip and/or receiving signature). Documentation should indicate the date that the goods were received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
3. As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success, or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth.
4. Monthly bank reconciliation's must be done in order to ensure that the cash balance reported on the books are accurate and that the financial institution has not made a mistake. Besides reconciling the cash accounts, the balances of the student body accounts should be totaled and compared to this reconciled cash amount to ensure that the two amounts are equal. Differences between these two amounts could be caused by mispostings to the student body accounts. The site should ensure that all reconciling items in the bank reconciliation are appropriate, properly identified. All of the outstanding items should be resolved expeditiously.
5. All accounts should be verified as to their existence and included on the financial statement of the ASB.
6. Minutes recorded and documented should include details of the meeting, budgeting procedures, fund raising discussions, and approval of expenditures. In addition, any motion which is presented and voted on must include the individual's name who presented the motion, the person who seconded it and the final vote on the motion.

Governing Board  
Coronado Unified School District

*Coronado High School*

Observation

Uncleared deposits for one cash account were noted dating back from February 6, 2012 to June 15, 2017 and consisted of 13 items totaling \$72,529. Another bank reconciliation account contained 130 outstanding checks with dates ranging from June 1, 2010 to June 30, 2017, and totaling \$20,603.

Recommendation

Monthly bank reconciliation's must be done in order to ensure that the cash balance reported on the books are accurate and that the financial institution has not made a mistake. Besides reconciling the cash accounts, the balances of the student body accounts should be totaled and compared to this reconciled cash amount to ensure that the two amounts are equal. Differences between these two amounts could be caused by mispostings to the student body accounts. The site should ensure that all reconciling items in the bank reconciliation are appropriate and properly identified. All of the outstanding items should be resolved expeditiously.

We will review the status of the current year comments during our next audit engagement.

*Vavrinck, Jinn, Day & Co., LLP*

Rancho Cucamonga, California  
December 17, 2018