

CORONADO UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2016

San Diego

Los Angeles

San Francisco
Bay Area

christy  white
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**CORONADO UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Governmental Funds – Balance Sheet.....	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances.....	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Proprietary Funds – Statement of Net Position	18
Proprietary Funds – Statement of Revenues, Expenses, and Changes in Net Assets.....	19
Proprietary Funds – Statement of Cash Flows.....	20
Fiduciary Funds – Statement of Net Position.....	21
Notes to Financial Statements	22

REQUIRED SUPPLEMENTARY INFORMATION

General Fund – Budgetary Comparison Schedule	55
Schedule of Funding Progress	56
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS	57
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS.....	58
Schedule of District Contributions - CalSTRS	59
Schedule of District Contributions - CalPERS.....	60
Notes to Required Supplementary Information.....	61

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	63
Schedule of Average Daily Attendance (ADA).....	64
Schedule of Instructional Time.....	65
Schedule of Financial Trends and Analysis	66
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	67
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	69
Local Education Agency Organization Structure	70
Notes to Supplementary Information.....	71

**CORONADO UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2016**

OTHER INDEPENDENT AUDITORS' REPORTS

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* 72
Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance..... 74
Report on State Compliance..... 76

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results 79
Financial Statement Findings..... 80
Federal Award Findings and Questioned Costs 81
State Award Findings and Questioned Costs..... 82
Summary Schedule of Prior Audit Findings 83

FINANCIAL SECTION

INDEPENDENT AUDITORS' 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Coronado Unified School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Coronado Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Coronado Schools Foundation, the District's discretely presented component unit. 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. 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*.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

SAN DIEGO

LOS ANGELES

SAN FRANCISCO/BAY AREA

Corporate Office:

348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229

tel: 619.270.8222

fax: 619.260.9085

www.christywhite.com

*Licensed by the California
State Board of Accountancy*

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

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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Coronado Unified School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 on our consideration of 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Coronado Unified School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
November 29, 2016

**CORONADO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

INTRODUCTION

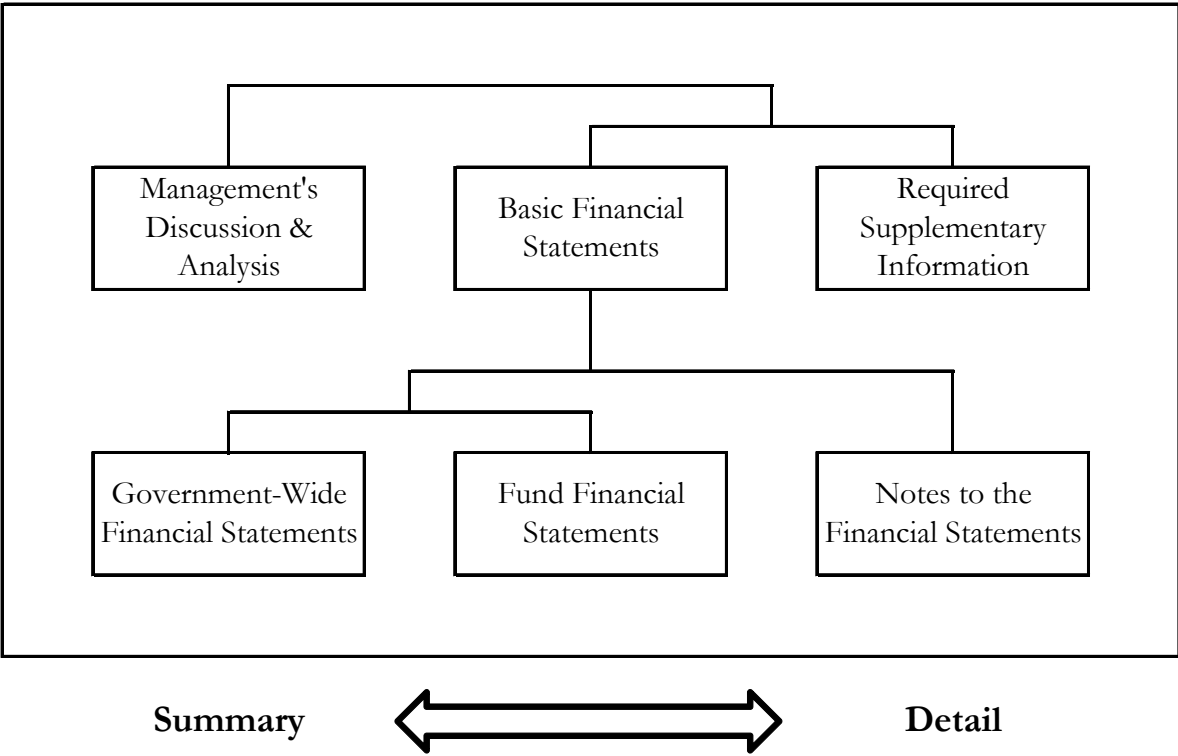
Our discussion and analysis of Coronado Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ Total combined net position was \$77,218,573 at June 30, 2016. This was an increase of \$175,946 from the prior year's restated net position.
- ▶ Overall revenues were \$39,422,922 which was more than expenses of \$39,246,976.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**CORONADO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

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

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

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

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

Government-Wide Statements

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

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

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

**CORONADO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
ASSETS						
Current and other assets	\$ 22,739,500	\$ 22,927,012	\$ (187,512)	\$ 280,906	\$ 230,967	\$ 49,939
Capital assets	102,048,059	104,485,665	(2,437,606)	-	-	-
Total Assets	124,787,559	127,412,677	(2,625,118)	280,906	230,967	49,939
DEFERRED OUTFLOWS OF RESOURCES	3,900,045	1,970,318	1,929,727	56,511	-	56,511
LIABILITIES						
Current liabilities	3,141,178	2,823,918	317,260	5,529	2,654	2,875
Long-term liabilities	45,873,417	43,620,960	2,252,457	258,586	-	258,586
Total Liabilities	49,014,595	46,444,878	2,569,717	264,115	2,654	261,461
DEFERRED INFLOWS OF RESOURCES	2,502,364	6,123,803	(3,621,439)	25,374	-	25,374
NET POSITION						
Net investment in capital assets	82,177,683	83,260,178	(1,082,495)	-	-	-
Restricted	15,687,338	4,254,299	11,433,039	-	-	-
Unrestricted	(20,694,376)	(10,700,163)	(9,994,213)	47,928	228,313	(180,385)
Total Net Position	\$ 77,170,645	\$ 76,814,314	\$ 356,331	\$ 47,928	\$ 228,313	\$ (180,385)

**CORONADO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
REVENUES						
Program revenues						
Charges for services	\$ 537,852	\$ 533,303	\$ 4,549	\$ -	\$ -	\$ -
Operating grants and contributions	5,603,349	4,981,031	622,318	-	-	-
General revenues						
Property taxes	9,248,839	6,280,420	2,968,419	-	-	-
Unrestricted federal and state aid	20,721,588	19,700,452	1,021,136	-	-	-
Other	2,932,710	3,210,513	(277,803)	378,584	378,983	(399)
Total Revenues	39,044,338	34,705,719	4,338,619	378,584	378,983	(399)
EXPENSES						
Instruction	19,857,189	18,560,309	1,296,880	-	-	-
Instruction-related services	3,772,251	3,898,747	(126,496)	-	-	-
Pupil services	2,991,227	2,977,519	13,708	-	-	-
General administration	1,935,067	1,748,369	186,698	-	-	-
Plant services	4,002,714	3,272,269	730,445	-	-	-
Ancillary and community services	959,940	960,113	(173)	-	-	-
Debt service	1,002,414	719,119	283,295	-	-	-
Other Outgo	-	420,492	(420,492)	-	-	-
Depreciation	4,325,759	4,214,368	111,391	-	-	-
Enterprise activities	6,380	6,673	(293)	394,035	309,546	84,489
Total Expenses	38,852,941	36,777,978	2,074,963	394,035	309,546	84,489
Transfers & special items	(95,316)	(94,107)	(1,209)	95,000	94,107	893
Change in net position	96,081	(2,166,366)	2,262,447	79,549	163,544	(83,995)
Net Position - Beginning*	77,074,564	78,980,680	(1,906,116)	228,313	64,769	163,544
Net Position - Ending	\$ 77,170,645	\$ 76,814,314	\$ 356,331	\$ 47,928	\$ 228,313	\$ 79,549

* Beginning Net Position was restated for both 2016 and 2015 years

**CORONADO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The net cost of services for governmental activities was \$32,711,740 in the current year compared to \$31,263,644 in the prior year as shown below:

	<u>Net Cost of Services</u>	
	<u>2016</u>	<u>2015</u>
Instruction	\$ 15,479,559	\$ 14,867,210
Instruction-related services	3,475,453	3,655,557
Pupil services	2,095,715	2,138,820
General administration	1,766,789	1,419,525
Plant services	3,882,205	3,267,320
Ancillary and community services	687,583	608,980
Debt service	1,002,414	719,119
Transfers to other agencies	(3,737)	366,072
Depreciation	4,325,759	4,214,368
Enterprise activities	-	6,673
Total Expenses	<u>\$ 32,711,740</u>	<u>\$ 31,263,644</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$20,945,416, which is less than last year's ending fund balance of \$21,566,451. The District's General Fund had \$1,478,250 more in operating revenues than expenditures for the year ended June 30, 2016. The District's Special Reserve Fund for Capital Outlay Projects had \$1,536,420 less in operating revenues than expenditures for the year ended June 30, 2016.

CURRENT YEAR BUDGET 2015-16

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval at the noted financial periods to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**CORONADO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015-16 the District had invested \$102,048,059 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2016	2015	Net Change
CAPITAL ASSETS			
Land	\$ 569,949	\$ 569,949	\$ -
Construction in progress	-	230,917	(230,917)
Land improvements	17,943,238	16,304,080	1,639,158
Buildings & improvements	124,616,451	124,405,430	211,021
Furniture & equipment	3,752,327	3,602,326	150,001
Accumulated depreciation	(44,833,906)	(40,627,037)	(4,206,869)
Total Capital Assets	\$102,048,059	\$104,485,665	\$ (2,437,606)

Long-Term Debt

At year-end, the District had \$46,132,003 in long-term debt, an increase of 6% from last year- as shown in table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
LONG-TERM LIABILITIES						
Total general obligation bonds	\$ 11,129,162	\$ 11,859,995	\$ (730,833)	\$ -	\$ -	\$ -
Total certificates of participation	8,999,538	9,365,492	(365,954)	-	-	-
Compensated absences	131,156	63,029	68,127	-	-	-
Net OPEB obligation	1,264,015	464,100	799,915	-	-	-
Net pension liability	25,486,333	22,740,425	2,745,908	258,586	224,706	33,880
Less: current portion of long-term debt	(1,136,787)	(1,096,787)	(40,000)	-	-	-
Total Long-term Liabilities	\$ 45,873,417	\$ 43,396,254	\$ 2,477,163	\$ 258,586	\$ 224,706	\$ 33,880

**CORONADO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET 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 by 2020-21 but the annual amount funded to meet the target is uncertain.

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

The State's economy is expected to grow faster than the national economy with unemployment dropping. Personal income is expected to grow 3.6%; according to the UCLA Anderson Economic Forecast, April 2016. The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and while positive remains uncertain.

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, 2016. 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 2016-17 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 Office of the Assistant Superintendent, Coronado Unified School District, 201 Sixth Street; Coronado, California 92118.

CORONADO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total	Discretely Presented Component Unit
ASSETS				
Cash and investments	\$ 19,740,514	\$ 255,868	\$ 19,996,382	\$ 6,336,112
Accounts receivable	2,992,060	14,550	3,006,610	15,647
Internal balances	(10,488)	10,488	-	-
Inventory	17,414	-	17,414	-
Prepaid expenses	-	-	-	9,908
Capital assets, not depreciated	569,949	-	569,949	-
Capital assets, net of accumulated depreciation	101,478,110	-	101,478,110	4,388
Total Assets	124,787,559	280,906	125,068,465	6,366,055
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	3,641,721	56,511	3,698,232	-
Deferred amount on refunding	258,324	-	258,324	-
Total Deferred Outflows of Resources	3,900,045	56,511	3,956,556	-
LIABILITIES				
Accrued liabilities	1,887,843	5,529	1,893,372	471,649
Unearned revenue	116,548	-	116,548	5,500
Long-term liabilities, current portion	1,136,787	-	1,136,787	-
Long-term liabilities, non-current portion	45,873,417	258,586	46,132,003	-
Total Liabilities	49,014,595	264,115	49,278,710	477,149
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	2,502,364	25,374	2,527,738	-
Total Deferred Inflows of Resources	2,502,364	25,374	2,527,738	-
NET POSITION				
Net investment in capital assets	82,177,683	-	82,177,683	-
Restricted:				
Capital projects	12,831,284	-	12,831,284	-
Debt service	863,343	-	863,343	-
Educational programs	1,847,112	-	1,847,112	-
All others	145,599	-	145,599	-
Permanent endowment	-	-	-	1,251,994
Unrestricted	(20,694,376)	47,928	(20,646,448)	4,636,912
Total Net Position	\$ 77,170,645	\$ 47,928	\$ 77,218,573	\$ 5,888,906

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

**CORONADO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position			Discretely Presented Component Unit
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 19,857,189	\$ -	\$ 4,377,630	\$ (15,479,559)			
Instruction-related services							
Instructional supervision and administration	359,622	-	61,381	(298,241)			
Instructional library, media, and technology	1,120,213	-	9,730	(1,110,483)			
School site administration	2,292,416	-	225,687	(2,066,729)			
Pupil services							
Home-to-school transportation	654,591	-	252	(654,339)			
Food services	628,299	537,852	121,940	31,493			
All other pupil services	1,708,337	-	235,468	(1,472,869)			
General administration							
All other general administration	1,935,067	-	168,278	(1,766,789)			
Plant services	4,002,714	-	120,509	(3,882,205)			
Ancillary services	382,381	-	12,118	(370,263)			
Community services	577,559	-	260,239	(317,320)			
Enterprise activities	6,380	-	6,380	-			
Interest on long-term debt	1,002,414	-	-	(1,002,414)			
Other Outgo	-	-	3,737	3,737			
Depreciation (unallocated)	4,325,759	-	-	(4,325,759)			
Total Governmental Activities	\$ 38,852,941	\$ 537,852	\$ 5,603,349	(32,711,740)			
BUSINESS-TYPE ACTIVITIES							
Enterprise activities	394,035	-	-	(394,035)			
Total Business-Type Activities	394,035	-	-	(394,035)			
Total School District	\$ 39,246,976	\$ 537,852	\$ 5,603,349		\$ (33,105,775)		
DISCRETELY PRESENTED COMPONENT UNIT							
Program services	\$ 957,078	\$ -	\$ -				\$ (957,078)
Management and general	66,174	-	-				(66,174)
Fundraising	256,135	-	-				(256,135)
Total	\$ 1,279,387	\$ -	\$ -				(1,279,387)
General revenues							
Taxes and subventions							
Property taxes, levied for general purposes				6,103,481	-	6,103,481	-
Property taxes, levied for debt service				1,034,559	-	1,034,559	-
Property taxes, levied for other specific purposes				2,110,799	-	2,110,799	-
Federal and state aid not restricted for specific purposes				20,721,588	-	20,721,588	-
Interest and investment earnings				15,057	-	15,057	-
Interagency revenues				2,837,550	-	2,837,550	-
Miscellaneous				80,103	378,584	458,687	1,058,820
Subtotal, General Revenue				32,903,137	378,584	33,281,721	1,058,820
Change in net position before transfers & special items				191,397	(15,451)	175,946	(220,567)
Internal transfers				(95,316)	95,316	-	-
Total Transfers & Special Items				(95,316)	95,316	-	-
CHANGE IN NET POSITION				96,081	79,865	175,946	(220,567)
Net Position - Beginning, as restated				77,074,564	(31,937)	77,042,627	6,109,473
Net Position - Ending				\$ 77,170,645	\$ 47,928	\$ 77,218,573	\$ 5,888,906

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

**CORONADO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 8,112,323	\$ 8,343,428	\$ 3,284,763	\$ 19,740,514
Accounts receivable	2,811,706	9,663	170,691	2,992,060
Due from other funds	626,806	4,111,001	103,459	4,841,266
Stores inventory	-	-	17,414	17,414
Total Assets	\$ 11,550,835	\$ 12,464,092	\$ 3,576,327	\$ 27,591,254
LIABILITIES				
Accrued liabilities	\$ 1,338,478	\$ 290,083	\$ 48,975	\$ 1,677,536
Due to other funds	4,274,384	306,741	270,629	4,851,754
Unearned revenue	116,548	-	-	116,548
Total Liabilities	5,729,410	596,824	319,604	6,645,838
FUND BALANCES				
Nonspendable	10,000	-	18,014	28,014
Restricted	1,328,253	11,867,268	2,702,124	15,897,645
Committed	780,000	-	536,585	1,316,585
Assigned	1,055,362	-	-	1,055,362
Unassigned	2,647,810	-	-	2,647,810
Total Fund Balances	5,821,425	11,867,268	3,256,723	20,945,416
Total Liabilities and Fund Balances	\$ 11,550,835	\$ 12,464,092	\$ 3,576,327	\$ 27,591,254

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, 2016**

Total Fund Balance - Governmental Funds \$ 20,945,416

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

Capital assets:

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

Capital assets	\$ 146,881,965	
Accumulated depreciation	(44,833,906)	102,048,059

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

258,324

Unmatured interest on long-term debt:

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

(210,307)

Long-term liabilities:

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

Total general obligation bonds	\$ 11,129,162	
Total certificates of participation	8,999,538	
Compensated absences	131,156	
Net OPEB obligation	1,264,015	
Net pension liability	25,486,333	(47,010,204)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 3,641,721	
Deferred inflows of resources related to pensions	(2,502,364)	1,139,357

Total Net Position - Governmental Activities \$ 77,170,645

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, 2016**

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 23,074,868	\$ -	\$ -	\$ 23,074,868
Federal sources	2,990,969	-	113,036	3,104,005
Other state sources	4,249,772	-	170,084	4,419,856
Other local sources	4,178,116	2,168,921	2,284,057	8,631,094
Total Revenues	34,493,725	2,168,921	2,567,177	39,229,823
EXPENDITURES				
Current				
Instruction	20,765,685	-	206,701	20,972,386
Instruction-related services				
Instructional supervision and administration	379,396	-	17,308	396,704
Instructional library, media, and technology	1,205,039	-	-	1,205,039
School site administration	2,521,263	-	51,242	2,572,505
Pupil services				
Home-to-school transportation	659,557	-	-	659,557
Food services	-	-	659,513	659,513
All other pupil services	1,918,462	-	-	1,918,462
General administration				
All other general administration	2,020,513	-	28,387	2,048,900
Plant services	2,765,111	1,246,391	149,198	4,160,700
Facilities acquisition and maintenance	56,176	1,794,150	37,826	1,888,152
Ancillary services	414,791	-	-	414,791
Community services	303,102	-	322,590	625,692
Enterprise activities	6,380	-	-	6,380
Debt service				
Principal	-	-	895,000	895,000
Interest and other	-	664,800	666,961	1,331,761
Total Expenditures	33,015,475	3,705,341	3,034,726	39,755,542
Excess (Deficiency) of Revenues				
Over Expenditures	1,478,250	(1,536,420)	(467,549)	(525,719)
Other Financing Sources (Uses)				
Transfers in	-	2,000,000	42,131	2,042,131
Transfers out	(2,131,780)	-	(5,667)	(2,137,447)
Net Financing Sources (Uses)	(2,131,780)	2,000,000	36,464	(95,316)
NET CHANGE IN FUND BALANCE	(653,530)	463,580	(431,085)	(621,035)
Fund Balance - Beginning	6,474,955	11,403,688	3,687,808	21,566,451
Fund Balance - Ending	\$ 5,821,425	\$ 11,867,268	\$ 3,256,723	\$ 20,945,416

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, 2016**

Net Change in Fund Balances - Governmental Funds \$ (621,035)

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

Capital outlay:

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

Expenditures for capital outlay:	\$ 1,888,153	
Depreciation expense:	<u>(4,325,759)</u>	(2,437,606)

Debt service:

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

895,000

Deferred amounts on refunding:

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

(28,703)

Unmatured interest on long-term debt:

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

156,263

**CORONADO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2016**

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: (68,127)

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (799,915)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: 2,798,417

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 201,787

Change in Net Position of Governmental Activities

\$ 96,081

**CORONADO UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016**

	Business-Type Activities
	Preschool Enterprise Fund
ASSETS	
Current assets	
Cash and investments	\$ 255,868
Accounts receivable	14,550
Due from other funds	131,780
Total Assets	402,198
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	56,511
Total Deferred Outflows of Resources	56,511
LIABILITIES	
Current liabilities	
Accrued liabilities	5,529
Due to other funds	121,292
Total current liabilities	126,821
Non-current liabilities	
Net pension liability	258,586
Total non-current liabilities	258,586
Total Liabilities	385,407
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	25,374
Total Deferred Inflows of Resources	25,374
NET POSITION	
Unrestricted	47,928
Total Net Position	\$ 47,928

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

**CORONADO UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities
	Preschool Enterprise Fund
OPERATING REVENUE	
Other local revenues	\$ 377,157
Total operating revenues	<u>377,157</u>
OPERATING EXPENSE	
Salaries and benefits	294,140
Supplies and materials	14,788
Professional services	85,107
Total operating expenses	<u>394,035</u>
Operating income/(loss)	<u>(16,878)</u>
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	1,427
Transfers in	131,780
Transfers out	(36,464)
Total non-operating revenues/(expenses)	<u>96,743</u>
CHANGE IN NET POSITION	79,865
Net Position - Beginning	<u>(31,937)</u>
Net Position - Ending	<u>\$ 47,928</u>

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

**CORONADO UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities
	Preschool Enterprise Fund
Cash flows from operating activities	
Cash received from user charges	\$ 258,142
Cash payments for payroll, insurance, and operating costs	(394,955)
Net cash provided by (used for) operating activities	(136,813)
Cash flows from non-capital financing activities	
Interfund transfers in (out)	95,316
Net cash provided by (used for) non-capital financing activities	95,316
Cash flows from investing activities	
Interest received	1,427
Net cash provided by (used for) investing activities	1,427
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(40,070)
 CASH AND CASH EQUIVALENTS	
Beginning of year	295,938
End of year	\$ 255,868
 Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income (loss)	\$ (16,878)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(12,242)
(Increase) decrease in due from other funds	(106,773)
(Increase) decrease in deferred outflows of resources	(25,678)
Increase (decrease) in accounts payable	2,875
Increase (decrease) in due to other funds	29,006
Increase (decrease) in net pension liability	33,880
Increase (decrease) in deferred inflows of resources	(41,003)
Net cash provided by (used for) operating activities	\$ (136,813)

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

CORONADO UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
ASSETS	
Cash and investments	\$ 760,130
Other assets	16,206
Total Assets	\$ 776,336
LIABILITIES	
Due to student groups	\$ 776,336
Total Liabilities	\$ 776,336

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

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

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements that are misleading or incomplete. The organization is a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) such economic resources are significant to the District.

Based on these criteria, the District has one component unit, 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 presented as a discretely presented component unit in the District's audited financial statements.

Additionally, the District is not a component unit of any other reporting entity.

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

C. **Basis of Presentation**

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

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

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

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

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

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

Major Governmental Funds

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Major Governmental Funds (continued)

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

Non-Major Governmental Funds

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

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b] and 52501.5[a]*).

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

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

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

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

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

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

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

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

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

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

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

Permanent Funds

Permanent funds were introduced as part of the governmental financial reporting model established by GASB Statement 34 to account for permanent foundations that benefit an LEA.

Foundation Permanent Fund. This 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 LEA's own programs and where there is a formal trust agreement with the donor. Gifts or bequests not covered by a formal trust agreement should be accounted for in the general fund.

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

C. Basis of Presentation (*continued*)

Proprietary Funds

Enterprise Funds: An enterprise fund is accounted for on the accrual basis. Capital assets and long-term debt (including all long-term debt obligations such as vacation pay and capital leases) are recorded in the fund. All revenues and expenses (rather than expenditures) are recorded, regardless of when they are received or paid. Depreciation of capital assets is recorded.

Preschool Enterprise Fund: This fund is used to report the activities of the Preschool operated by the district. The revenues and expenses are recorded within this fund for financial statement reporting purposes.

Fiduciary Funds

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

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

D. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary and Fiduciary Financial Statements

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

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Governmental Funds

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

Revenues – Exchange and Non-Exchange Transactions

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

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

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

Expenses/Expenditures

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

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized. Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

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

Investments

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

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	25-50 years
Building Improvements	20 years
Equipment and Vehicles	3-15 years

Interfund Balances

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide 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.

Premiums and Discounts

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

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

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

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

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

Fund Balance

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

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

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

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

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

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

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

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

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

I. Property Tax

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

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 72 for the year ended June 30, 2016.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. A portion of this Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 73 for the year ended June 30, 2016.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

CORONADO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Business-Type Activities	Fiduciary Funds
Investment in county treasury	\$ 19,729,914	\$ 255,868	\$ -
Cash on hand and in banks	-	-	760,130
Cash in revolving fund	10,600	-	-
Total cash and investments	\$ 19,740,514	\$ 255,868	\$ 760,130

B. Policies and Practices

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

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

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$20,009,725 and an amortized book value of \$19,985,782. The average weighted maturity for this pool is 310 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2016, the pooled investments in the County Treasury were rated AAAs/S1 by Standard and Poor’s.

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

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

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

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

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

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

The District's fair value measurements at June 30, 2016 were as follows:

	Uncategorized
Investment in county treasury	\$ 20,009,725
Total fair market value of investments	\$ 20,009,725

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities	Total Business- Type Activities
Federal Government					
Categorical aid	\$ 263,391	\$ -	\$ 3,513	\$ 266,904	\$ -
State Government					
Apportionment	471,816	-	415	472,231	-
Lottery	349,153	-	-	349,153	-
Local Government					
Other local sources	1,727,346	9,663	166,763	1,903,772	14,550
Total	\$ 2,811,706	\$ 9,663	\$ 170,691	\$ 2,992,060	\$ 14,550

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 569,949	\$ -	\$ -	\$ 569,949
Construction in progress	230,917	-	230,917	-
Total Capital Assets not Being Depreciated	800,866	-	230,917	569,949
Capital assets being depreciated				
Land improvements	16,304,080	1,639,158	-	17,943,238
Buildings & improvements	124,405,430	211,021	-	124,616,451
Furniture & equipment	3,602,326	268,891	118,890	3,752,327
Total Capital Assets Being Depreciated	144,311,836	2,119,070	118,890	146,312,016
Less Accumulated Depreciation				
Land improvements	8,967,654	1,101,960	-	10,069,614
Buildings & improvements	29,332,712	2,807,910	-	32,140,622
Furniture & equipment	2,326,671	415,889	118,890	2,623,670
Total Accumulated Depreciation	40,627,037	4,325,759	118,890	44,833,906
Governmental Activities				
Capital Assets, net	\$ 104,485,665	\$ (2,206,689)	\$ 230,917	\$ 102,048,059

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2016 were as follows:

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>				<u>Total</u>
	<u>General Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Preschool Enterprise Fund</u>	
General Fund	\$ -	\$ 4,111,001	\$ 31,603	\$ 131,780	\$ 4,274,384
Special Reserve Fund for Capital Outlay Projects	306,741	-	-	-	306,741
Non-Major Governmental Funds	235,238	-	35,391	-	270,629
Preschool Enterprise Fund	84,827	-	36,465	-	121,292
Total Due From Other Funds	\$ 626,806	\$ 4,111,001	\$ 103,459	\$ 131,780	\$ 4,973,046

General Fund due to the Child Development Fund for cash flow support.	\$ 7,935
General Fund due to the Cafeteria Special Revenue Fund for various support costs.	3,384
General Fund due to the Foundation Special Revenue Fund to cover expenses.	6,033
General Fund due to the Capital Facilities Fund to cover expenses.	14,251
General Fund due to the Special Reserve Fund for Capital Outlay Projects Fund for transfer of pass through money.	4,111,001
General Fund due to the Preschool Enterprise Fund to cover expenses.	131,780
Adult Education Fund due to the General Fund for various support costs.	38,520
Adult Education Fund due to the Foundation Permanent Fund for various support costs.	46
Child Development Fund due to the General Fund for repayment of support and indirect costs.	33,198
Child Development Fund due to the Cafeteria Special Revenue Fund for preschool meals.	5,667
Child Development Fund due to the Capital Facilities Fund for construction.	29,678
Cafeteria Special Revenue Fund due to the General Fund for cash flow needs.	155,534
Foundation Special Revenue Fund due to the General Fund for various support costs.	1,444
Capital Facilities Fund due to the General Fund for administrative costs.	6,542
Special Reserve Fund for Capital Outlay Projects due to the General Fund for various support costs.	306,741
Preschool Enterprise Fund due to the General Fund for transfer of operating costs.	84,827
Preschool Enterprise Fund due to the Child Development Fund for transfer of operating costs.	26,903
Preschool Enterprise Fund due to the Cafeteria Special Revenue Fund for transfer of operating costs.	9,562
Total	\$ 4,973,046

B. Operating Transfers

Interfund transfers for the year ended June 30, 2016 consisted of the following:

<u>Interfund Transfers Out</u>	<u>Interfund Transfers In</u>				<u>Total</u>
	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Preschool Enterprise Fund</u>		
General Fund	\$ 2,000,000	\$ -	\$ 131,780	\$ -	\$ 2,131,780
Non-Major Governmental Funds	-	5,667	-	-	5,667
Preschool Enterprise Fund	-	36,464	-	-	36,464
Total Interfund Transfers	\$ 2,000,000	\$ 42,131	\$ 131,780	\$ -	\$ 2,173,911

Transfer from the General Fund to the Special Reserve Fund for Capital Outlay Projects to cover operating costs.	\$ 2,000,000
Transfer from the General Fund to the Other Enterprise Fund for cash flow support.	131,780
Transfer from the Preschool Enterprise Fund to the Child Development Fund for cash flow support.	26,903
Transfer from the Preschool Enterprise Fund to the Cafeteria Special Revenues Fund for cash flow support.	9,561
Transfer from the Child Development Fund to the Cafeteria Special Revenues Fund for the cost of preschool meals.	5,667
Total	\$ 2,173,911

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2016 consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	District-Wide	Total Governmental Activities	Total Business- Type Activities
Payroll	\$ 336,250	\$ -	\$ 32,033	\$ -	\$ 368,283	\$ 5,492
Vendors payable	767,626	290,081	16,568	-	1,074,275	13
Unmatured interest	-	-	-	210,307	210,307	-
Other liabilities	234,602	2	374	-	234,978	24
Total	\$ 1,338,478	\$ 290,083	\$ 48,975	\$ 210,307	\$ 1,887,843	\$ 5,529

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2016, in Governmental Activities consisted of \$116,548 from federal sources in the General Fund.

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2016 consisted of the following:

	Restated Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 10,470,000	\$ -	\$ 615,000	\$ 9,855,000	\$ 645,000
Unamortized premium	1,389,995	-	115,833	1,274,162	115,833
Total general obligation bonds	11,859,995	-	730,833	11,129,162	760,833
Certificates of participation	8,420,000	-	280,000	8,140,000	290,000
Unamortized premium	945,492	-	85,954	859,538	85,954
Total certificates of participation	9,365,492	-	365,954	8,999,538	375,954
Compensated absences	63,029	68,127	-	131,156	-
Net OPEB obligation	464,100	799,915	-	1,264,015	-
Net pension liability	22,740,425	2,745,908	-	25,486,333	-
Total	\$ 44,493,041	\$ 3,613,950	\$ 1,096,787	\$ 47,010,204	\$ 1,136,787

	Restated Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016	Balance Due In One Year
Business-Type Activities					
Net pension liability	\$ 224,706	\$ 33,880	\$ -	\$ 258,586	\$ -
Total	\$ 224,706	\$ 33,880	\$ -	\$ 258,586	\$ -

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments on certificates of participation are made in the Capital Facilities Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 8 – LONG-TERM DEBT (continued)

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2016 amounted to \$131,156. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. General Obligation Bonds

Debt service requirements on general obligation bonds at June 30, 2016 were as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 645,000	\$ 400,000	\$ 1,045,000
2018	690,000	380,650	1,070,650
2019	695,000	359,950	1,054,950
2020	745,000	332,150	1,077,150
2021	790,000	302,350	1,092,350
2022 - 2026	6,290,000	1,054,050	7,344,050
Total	\$ 9,855,000	\$ 2,829,150	\$ 12,684,150

C. Certificates of Participation

Future commitments for certificates of participation at June 30, 2016 were as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 290,000	\$ 256,044	\$ 546,044
2018	305,000	244,144	549,144
2019	315,000	231,744	546,744
2020	325,000	218,944	543,944
2021	340,000	205,644	545,644
2022 - 2026	1,895,000	828,866	2,723,866
2027 - 2031	2,165,000	546,900	2,711,900
2032 - 2036	2,505,000	198,575	2,703,575
Total	\$ 8,140,000	\$ 2,730,861	\$ 10,870,861

D. Net Pension Liability

The District's beginning net pension liability was \$22,963,131 and increased by \$2,779,788 during the year ended June 30, 2016. The ending net pension liability at June 30, 2016 was \$25,744,919. See Note 11 for additional information regarding the net pension liability.

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2016:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 10,000	\$ -	\$ 600	\$ 10,600
Stores inventory	-	-	17,414	17,414
Total non-spendable	10,000	-	18,014	28,014
Restricted				
Permanent fund balance	-	-	289,000	289,000
Educational programs	1,328,253	-	229,859	1,558,112
Capital projects	-	11,867,268	964,016	12,831,284
Debt service	-	-	1,073,650	1,073,650
All others	-	-	145,599	145,599
Total restricted	1,328,253	11,867,268	2,702,124	15,897,645
Committed				
Adult Education Fund	-	-	10,095	10,095
Deferred Maintenance Fund	-	-	526,490	526,490
GASB 45 OPEB	780,000	-	-	780,000
Total committed	780,000	-	536,585	1,316,585
Assigned				
Assignments	1,055,362	-	-	1,055,362
Total assigned	1,055,362	-	-	1,055,362
Unassigned				
Remaining unassigned	2,647,810	-	-	2,647,810
Total unassigned	2,647,810	-	-	2,647,810
Total	\$ 5,821,425	\$ 11,867,268	\$ 3,256,723	\$ 20,945,416

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

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

The District administers a single-employer healthcare plan (the “Plan”). The plan provides health benefits to eligible retirees to age 65.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	353
Active plan members	27
Total*	380

Number of participating employers	1
-----------------------------------	---

*As of July 1, 2015 actuarial study

The District provides retiree medical, dental and vision benefits to eligible retirees and their eligible dependents until the retiree turns age 65 or Medicare eligibility, if earlier. Eligibility for certificated employees requires retirements under STRS on or after age 60 with at least 25 years of District eligible service. Eligibility for classified employees requires retirements under PERS on or after age 55 with at least 15 years of District eligible service.

The District will pay for retiree only medical coverage. The District does not provide any financial contribution for coverage beyond age 65. Retirees can elect dependent medical coverage and dental and vision coverage on a self-paid basis. Some past retirees have retired under different provisions or early retirement incentives that may include lifetime benefits and annual caps on benefits.

B. Funding Policy

The District’s contribution is currently based on a project pay-as-you-go funding method, that is, benefits are payable when due.

As of June 30, 2016, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

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

C. Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$	911,501
Interest on net OPEB obligation		20,885
Adjustment to annual required contribution		<u>(32,804)</u>
Annual OPEB cost (expense)		899,582
Contributions made		<u>(99,667)</u>
Increase (decrease) in net OPEB obligation		799,915
Net OPEB obligation, beginning of the year		<u>464,100</u>
Net OPEB obligation, end of the year	\$	<u>1,264,015</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2016 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2016	\$ 899,582	11%	\$ 1,264,015
2015	\$ 280,939	0%	\$ 464,100
2014	\$ 276,495	0%	\$ 418,722

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

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

D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2015	\$ -	\$ 5,894,701	\$ 5,894,701	0%	\$ 19,807,000	30%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	7/1/2015
Actuarial Cost Method	Project Unit Credit
Amortization Method	Level-dollar of payroll
Remaining Amortization Period	23
Asset Valuation	\$ -
Actuarial Assumptions:	
Investment rate of return	4.5%
Discount rate	4.5%
Health care trend rate	1.0%
Inflation rate	2.8%

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS

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

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 20,162,554	\$ 2,453,158	\$ 1,980,497	\$ (430,911)
PERS Pension	5,582,365	1,245,074	547,241	7,803,121
Total	\$ 25,744,919	\$ 3,698,232	\$ 2,527,738	\$ 7,372,210

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits provided

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

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

Benefits provided (continued)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 9.20% and 8.56% of their salary for fiscal year 2016, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$1,533,630 for the year ended June 30, 2016.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,012,467 to CalSTRS (7.126% of 2013-14 creditable compensation subject to CalSTRS).

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 20,162,554
State's proportionate share of the net pension liability associated with the District	10,663,739
Total	<u>\$ 30,826,293</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was 0.030 percent, which was decrease of 0.001 percent from its proportion measured as of June 30, 2014.

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2016, the District recognized pension expense of (\$430,911). In addition, the District recognized pension expense and revenue of \$826,982 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 1,643,576
Differences between expected and actual experience	-	336,921
Changes in proportion and differences between District contributions and proportionate share of contributions	919,528	-
District contributions subsequent to the measurement date	1,533,630	-
	<u>\$ 2,453,158</u>	<u>\$ 1,980,497</u>

The \$1,533,630 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 153,255	\$ 467,048
2018	153,255	467,048
2019	153,255	467,048
2020	153,255	467,048
2021	153,255	56,154
2022	153,253	56,151
	<u>\$ 919,528</u>	<u>\$ 1,980,497</u>

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

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

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield*	7.60%
Wage Inflation	3.75%

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

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. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%
	<u>100%</u>	

* 10-year geometric average

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

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

Discount rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 30,443,887	\$ 20,162,554	\$ 11,617,936

Pension plan fiduciary net position

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

NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees’ Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees’ Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits provided

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

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016 was 11.847% of annual payroll. Contributions to the plan from the District were \$589,349 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$5,582,365 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was 0.038 percent, which was a decrease of 0.003 percent from its proportion measured as of June 30, 2014.

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2016, the District recognized pension expense of (\$277,328). At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 191,145
Differences between expected and actual experience	319,040	-
Changes in assumptions	-	342,997
Changes in proportion and differences between District contributions and proportionate share of contributions	336,685	13,100
District contributions subsequent to the measurement date	589,349	-
	<u>\$ 1,245,074</u>	<u>\$ 547,242</u>

The \$589,349 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 226,112	\$ 170,428
2018	226,112	170,428
2019	203,501	158,600
2020	-	47,786
	<u>\$ 655,725</u>	<u>\$ 547,242</u>

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

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

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield*	7.65%
Wage Inflation	Varies by Entry Age and Service

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

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

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

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

Actuarial assumptions (continued)

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Years 11+**</u>
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

Discount rate

The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	<u>1% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
District's proportionate share of the net pension liability	\$ 9,085,764	\$ 5,582,365	\$ 2,669,055

Pension plan fiduciary net position

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

C. Construction Commitments

As of June 30, 2016, the District had no major commitments with respect to unfinished capital projects.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in one joint venture under joint powers authorities (JPA), the San Diego County Schools Risk Management (SDCSRM). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for the operation and maintenance for the services and other necessary items associated with administering a self-insurance plan for workers' compensation, health, and property and liability insurance for its member school districts. The District's JPA fund balance for workers' compensation reflects a deficit balance of \$9,610 for unfunded claims based on estimated future claims liabilities and the actual amount of cash on deposit with the JPA at June 30, 2016. The District is in the process of developing a repayment plan to repay the deficit balance at June 30, 2015.

The JPA has budgeting and financial reporting requirements independent of member units, and its financial statements are not presented in these financial statements. However, fund transactions between the JPA and the District are included in these statements. The audited financial statements are generally available from the JPA.

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District’s long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2016, the deferred amount on refunding was \$258,324.

NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental and Business-Type Activities have been restated in order to record the District’s business-type activities proportionate share of net pension liability and deferred outflows of resources related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—* an amendment of GASB Statement No. 27. The effect on beginning net position is presented as follows:

	Governmental Activities	Business-Type Activities
Net Position - Beginning, as Previously Reported	\$ 76,814,314	\$ 228,313
Restatement	260,250	(260,250)
Net Position - Beginning, as Restated	<u>\$ 77,074,564</u>	<u>\$ (31,937)</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CORONADO UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 24,740,686	\$ 22,953,432	\$ 23,074,868	\$ 121,436
Federal sources	2,302,403	2,824,284	2,990,969	166,685
Other state sources	916,386	4,161,434	4,249,772	88,338
Other local sources	4,007,530	4,026,588	4,177,608	151,020
Total Revenues	31,967,005	33,965,738	34,493,217	527,479
EXPENDITURES				
Certificated salaries	13,753,792	14,124,535	14,594,357	(469,822)
Classified salaries	4,643,050	5,300,849	5,252,032	48,817
Employee benefits	6,679,469	8,028,991	7,478,656	550,335
Books and supplies	1,179,939	1,557,768	1,216,323	341,445
Services and other operating expenditures	4,903,977	5,315,197	4,429,352	885,845
Capital outlay	-	73,278	56,176	17,102
Other outgo				
Transfers of indirect costs	(29,670)	(9,589)	(11,421)	1,832
Total Expenditures	31,130,557	34,391,029	33,015,475	1,375,554
Excess (Deficiency) of Revenues				
Over Expenditures	836,448	(425,291)	1,477,742	1,903,033
Other Financing Sources (Uses)				
Transfers out	(75,200)	(2,762,207)	(4,531,780)	(1,769,573)
Net Financing Sources (Uses)	(75,200)	(2,762,207)	(4,531,780)	(1,769,573)
NET CHANGE IN FUND BALANCE	761,248	(3,187,498)	(3,054,038)	133,460
Fund Balance - Beginning	6,474,949	6,474,949	6,474,949	-
Fund Balance - Ending	\$ 7,236,197	\$ 3,287,451	\$ 3,420,911	\$ 133,460

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

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

**CORONADO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2015	\$ -	\$ 5,894,701	\$ 5,894,701	0%	\$ 19,807,000	30%
July 1, 2013	\$ -	\$ 2,349,002	\$ 2,349,002	0%	\$ 18,823,879	12%
July 1, 2011	\$ -	\$ 2,145,303	\$ 2,145,303	0%	\$ 14,739,000	15%

See accompanying note to required supplementary information.

CORONADO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CALSTRS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.030%	0.031%
District's proportionate share of the net pension liability	\$ 20,162,554	\$ 18,330,756
States's proportionate share of the net pension liability associated with the District	10,663,739	11,068,902
Total	<u>\$ 30,826,293</u>	<u>\$ 29,399,658</u>
District's covered-employee payroll	\$ 14,723,275	\$ 13,688,776
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	136.9%	133.9%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%	76.5%

See accompanying note to required supplementary information.

CORONADO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CALPERS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.038%	0.041%
District's proportionate share of the net pension liability	\$ 5,582,365	\$ 4,634,375
District's covered-employee payroll	\$ 5,967,607	\$ 5,138,103
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	93.5%	90.2%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%	83.4%

See accompanying note to required supplementary information.

**CORONADO UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,533,630	\$ 1,190,236
Contributions in relation to the contractually required contribution*	(1,533,630)	(1,190,236)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 14,723,275	\$ 13,688,776
Contributions as a percentage of covered-employee payroll	10.42%	8.69%

*Amounts do not include on behalf contributions

**CORONADO UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 589,349	\$ 493,055
Contributions in relation to the contractually required contribution	(589,349)	(493,055)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,967,607	\$ 5,138,103
Contributions as a percentage of covered-employee payroll	9.88%	9.60%

See accompanying note to required supplementary information.

**CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

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

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

Schedule of District Contributions

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

CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2016, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code, as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 14,124,535	\$ 14,594,357	\$ 469,822

**SUPPLEMENTARY
INFORMATION**

**CORONADO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 160,960
Title I, Part G, Advanced Placement Test Fee Reimbursement	84.330B	14831	902
Title II, Part A, Teacher Quality	84.367	14341	73,314
Title III, Immigrant Education Program	84.365	15146	15,417
Title VIII, Impact Aid	84.041	10015	1,549,871
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	496,092
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	35,490
Part B, Preschool Grants	84.173	13430	12,891
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	25,007
Preschool Staff Development	84.173A	13431	162
Subtotal Special Education Cluster			<u>569,642</u>
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	<u>15,000</u>
Total U. S. Department of Education			<u><u>2,385,106</u></u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
National School Lunch Program	10.555	13391	<u>113,036</u>
Total U. S. Department of Agriculture			<u><u>113,036</u></u>
U. S. DEPARTMENT OF DEFENSE:			
Federal Grant STEPS (Student, Technology, Education Plans)	12.556	*	536,966
Federal Grant Support for Student Achievement at Military Connected Schools/SPED	12.556	*	68,897
Total U. S. Department of Defense			<u>605,863</u>
Total Federal Expenditures			<u><u>\$ 3,104,005</u></u>

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

**CORONADO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2016**

	Second Period Report	*Revised Second Period Report	Annual Report
SCHOOL DISTRICT			
TK/K through Third			
Regular ADA	736.50	736.73	734.28
Extended Year Special Education	15.61	15.61	5.15
Special Education - Nonpublic Schools	0.14	0.14	0.38
Total TK/K through Third	752.25	752.48	739.81
Fourth through Sixth			
Regular ADA	604.40	604.68	603.59
Special Education - Nonpublic Schools	2.24	2.24	2.55
Extended Year Special Education - Nonpublic Schools	0.23	0.23	0.23
Total Fourth through Sixth	606.87	607.15	606.37
Seventh through Eighth			
Regular ADA	481.77	481.93	481.00
Extended Year Special Education	19.65	19.65	6.65
Special Education - Nonpublic Schools	1.83	1.83	1.97
Extended Year Special Education - Nonpublic Schools	0.35	0.35	0.35
Total Seventh through Eighth	503.60	503.76	489.97
Ninth through Twelfth			
Regular ADA	1,192.14	1,190.63	1,187.75
Special Education - Nonpublic Schools	1.87	1.87	1.69
Extended Year Special Education - Nonpublic Schools	0.38	0.38	0.38
Total Ninth through Twelfth	1,194.39	1,192.88	1,189.82
TOTAL SCHOOL DISTRICT	3,057.11	3,056.27	3,025.97

***The revised Second Period report include both revisions made by the District and those as a result of the audit.**

**CORONADO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2016**

Grade Level	Minutes Requirement	2015-16 Actual Minutes	Number of Days	Status
Kindergarten	36,000	49,950	180	Complied
Grade 1	50,400	52,190	180	Complied
Grade 2	50,400	52,190	180	Complied
Grade 3	50,400	52,190	180	Complied
Grade 4	54,000	58,315	180	Complied
Grade 5	54,000	58,315	180	Complied
Grade 6	54,000	58,438	180	Complied
Grade 7	54,000	58,438	180	Complied
Grade 8	54,000	58,438	180	Complied
Grade 9	64,800	65,590	180	Complied
Grade 10	64,800	65,590	180	Complied
Grade 11	64,800	65,590	180	Complied
Grade 12	64,800	65,590	180	Complied

See accompanying note to supplementary information.

**CORONADO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

	2017 (Budget)	2016	2015	2014
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 35,169,769	\$ 34,493,217	\$ 29,870,309	\$ 29,180,813
Expenditures And Other Financing Uses	34,860,025	37,547,255	29,370,191	30,186,745
Net change in Fund Balance	\$ 309,744	\$ (3,054,038)	\$ 500,118	\$ (1,005,932)
Ending Fund Balance	\$ 3,730,655	\$ 3,420,911	\$ 6,474,949	\$ 5,974,831
Available Reserves*	\$ 424,041	\$ 2,647,810	\$ 2,760,426	\$ 1,225,065
Available Reserves As A Percentage Of Outgo	1.22%	7.05%	9.40%	4.06%
Long-term Debt	\$ 45,873,417	\$ 47,010,204	\$ 44,717,747	\$ 22,444,935
Average Daily Attendance At P-2	3,057	3,057	3,019	3,025

The General Fund balance has decreased by \$2,553,920 over the past two years. The fiscal year 2016-17 budget projects an increase of \$309,744. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating surplus during the 2016-17 fiscal year. Total long term obligations have increased by \$24,565,269 over the past two years.

Average daily attendance has increased by 32 ADA over the past two years. No change in ADA is anticipated during the 2016-17 fiscal year.

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

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve for Other than Capital Outlay Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**CORONADO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve Fund for Capital Outlay Projects	Other Enterprise Fund - Preschool
June 30, 2016, annual financial and budget report fund balance	\$ 3,420,911	\$ 2,400,514	\$ 12,532,068	\$ 275,377
Adjustments and reclassifications:				
Increase (decrease) in total fund balances:				
Increase for allocation of net pension liability	-	-	-	(227,449)
Decrease for cash with a fiscal agent	-	-	(664,800)	-
Fund balance transfer (GASB 54)	2,400,514	(2,400,514)	-	-
Net adjustments and reclassifications	2,400,514	(2,400,514)	(664,800)	(227,449)
June 30, 2016, audited financial statement fund balance	\$ 5,821,425	\$ -	\$ 11,867,268	\$ 47,928

See accompanying note to supplementary information.

**CORONADO UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2016**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Foundation Special Revenue Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Foundation Permanent Fund	Non-Major Governmental Funds
ASSETS										
Cash and investments	\$ 66,763	\$ 18,811	\$ 118,829	\$ 667,222	\$ 125,493	\$ 925,454	\$ 1	\$ 1,073,650	\$ 288,540	\$ 3,284,763
Accounts receivable	113	16,512	27,440	956	124,082	1,174	-	-	414	170,691
Due from other funds	-	34,838	18,613	-	6,033	43,929	-	-	46	103,459
Stores inventory	-	-	17,414	-	-	-	-	-	-	17,414
Total Assets	\$ 66,876	\$ 70,161	\$ 182,296	\$ 668,178	\$ 255,608	\$ 970,557	\$ 1	\$ 1,073,650	\$ 289,000	\$ 3,576,327
LIABILITIES										
Accrued liabilities	\$ 18,215	\$ 1,618	\$ 4,837	\$ -	\$ 24,305	\$ -	\$ -	\$ -	\$ -	\$ 48,975
Due to other funds	38,566	68,543	155,534	-	1,444	6,542	-	-	-	270,629
Total Liabilities	56,781	70,161	160,371	-	25,749	6,542	-	-	-	319,604
FUND BALANCES										
Non-spendable	-	-	18,014	-	-	-	-	-	-	18,014
Restricted	-	-	3,911	141,688	229,859	964,015	1	1,073,650	289,000	2,702,124
Committed	10,095	-	-	526,490	-	-	-	-	-	536,585
Total Fund Balances	10,095	-	21,925	668,178	229,859	964,015	1	1,073,650	289,000	3,256,723
Total Liabilities and Fund Balance	\$ 66,876	\$ 70,161	\$ 182,296	\$ 668,178	\$ 255,608	\$ 970,557	\$ 1	\$ 1,073,650	\$ 289,000	\$ 3,576,327

See accompanying note to supplementary information.

**CORONADO UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2016**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Foundation Special Revenue Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Foundation Permanent Fund	Non-Major Governmental Funds
REVENUES										
Federal sources	-	-	\$ 113,036	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,036
Other state sources	109,654	52,072	6,148	-	-	-	-	2,210	-	170,084
Other local sources	280	150,048	538,675	3,831	329,387	224,538	-	1,035,640	1,658	2,284,057
Total Revenues	109,934	202,120	657,859	3,831	329,387	224,538	-	1,037,850	1,658	2,567,177
EXPENDITURES										
Current										
Instruction	57,128	149,573	-	-	-	-	-	-	-	206,701
Instruction-related services										
Instructional supervision and administration	16,008	-	-	-	-	-	-	-	1,300	17,308
School site administration	21,704	29,538	-	-	-	-	-	-	-	51,242
Pupil services										
Food services	-	-	657,117	-	2,396	-	-	-	-	659,513
General administration										
All other general administration	5,002	6,419	-	-	-	16,966	-	-	-	28,387
Plant services	-	-	-	-	149,198	-	-	-	-	149,198
Facilities acquisition and maintenance	-	37,826	-	-	-	-	-	-	-	37,826
Community services	-	-	-	-	322,590	-	-	-	-	322,590
Debt service										
Principal	-	-	-	-	-	280,000	-	615,000	-	895,000
Interest and other	-	-	-	-	-	260,811	-	406,150	-	666,961
Total Expenditures	99,842	223,356	657,117	-	474,184	557,777	-	1,021,150	1,300	3,034,726
Excess (Deficiency) of Revenues										
Over Expenditures	10,092	(21,236)	742	3,831	(144,797)	(333,239)	-	16,700	358	(467,549)
Other Financing Sources (Uses)										
Transfers in	-	26,903	15,228	-	-	-	-	-	-	42,131
Transfers out	-	(5,667)	-	-	-	-	-	-	-	(5,667)
Net Financing Sources (Uses)	-	21,236	15,228	-	-	-	-	-	-	36,464
NET CHANGE IN FUND BALANCE	10,092	-	15,970	3,831	(144,797)	(333,239)	-	16,700	358	(431,085)
Fund Balance - Beginning	3	-	5,955	664,347	374,656	1,297,254	1	1,056,950	288,642	3,687,808
Fund Balance - Ending	\$ 10,095	\$ -	\$ 21,925	\$ 668,178	\$ 229,859	\$ 964,015	\$ 1	\$ 1,073,650	\$ 289,000	\$ 3,256,723

See accompanying note to supplementary information.

**CORONADO UNIFIED SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2016**

The Coronado Unified School District was established on June 20, 1913. There were no changes in the boundaries of the District during the current fiscal year. The District is currently operating two elementary schools, one middle school, one comprehensive high school, one alternative high school, a preschool program and an adult education program.

GOVERNING BOARD

Member	Office	Term Expires
Maria Simon	President	December 2016
Lou Smith	Vice President	December 2018
Lee Pontes	Clerk	December 2018
Kristina Wagner Cook	Member	December 2016
Dawn Ovrom	Member	December 2016

DISTRICT ADMINISTRATORS

Karl Mueller
Superintendent

Keith Butler
Assistant Superintendent

**CORONADO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

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.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2016, the District participated in the Longer Day incentive funding program. As of June 30, 2016, the District had not yet met its target funding.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

Combining Statements – Non-Major Funds

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

Local Education Agency Organization Structure

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

**OTHER INDEPENDENT
AUDITORS' REPORTS**

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

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Coronado Unified School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Coronado Unified School District's basic financial statements, and have issued our report thereon dated November 29, 2016.

Our report includes a reference to other auditors who audited the financial statements of the Coronado Schools Foundation, the discretely presented component unit, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Coronado School Foundation were not audited in accordance with *Governmental Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with this entity.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

Licensed by the California
State Board of Accountancy

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2016-1)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coronado Unified School District's financial statements are free of 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*.

Coronado Unified School District's Response to Findings

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

Purpose of this Report

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

Christy White Associates

San Diego, California
November 29, 2016

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board
Coronado Unified School District
Coronado, California

Report on Compliance for Each Major Federal Program

We have audited Coronado Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Coronado Unified School District's major federal programs for the year ended June 30, 2016. 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 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.

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

*Licensed by the California
State Board of Accountancy*

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, 2016.

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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Christy White Associates

San Diego, California
November 29, 2016

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
Coronado Unified School District
Coronado, California

Report on State Compliance

We have audited Coronado Unified School District's compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Coronado Unified School District's state programs for the fiscal year ended June 30, 2016, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Coronado Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-16 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about 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 with the requirements referred to above. However, our audit does not provide a legal determination of Coronado Unified School District's compliance with those requirements.

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

*Licensed by the California
State Board of Accountancy*

Opinion on State Compliance

In our opinion, Coronado Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as item #2016-2. Our opinion on state compliance is not modified with respect to these matters.

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

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	No
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No

Procedures Performed (continued)

PROGRAM NAME	PROCEDURES PERFORMED
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study and continuation education because they were not material for the district.

We did not perform testing of California Clean Energy Jobs Act funds because the district did not expend any funds as of the end of the fiscal year.

Christy White Associates

San Diego, California
November 29, 2016

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**CORONADO UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

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

STATE AWARDS

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

**CORONADO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

Section II – Financial Statement Findings

FINDING #2016-1: INTERNAL CONTROL OVER STUDENT BODY FUNDS (30000)

Criteria: Proper internal controls are necessary to ensure the safeguard over the Associated Student Body (ASB) assets. Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

Coronado High School

Check Disbursements

It was noted that based on a sample of 10 check disbursements, it does not appear that adequate approval is obtained for each check disbursed. Disbursements made by the ASB should be pre-approved by a student body representative, certificated advisor, and school site administrator.

In seven (7) out of ten selections, at least one of the aforementioned signatures was missing from the Requisition Form that is required to be completed for each transaction. A signature from the student body representative was missing in six of these instances, while one transaction was lacking signature approval from a site administrator.

Cause: Insufficient internal controls over student body activities.

Effect: The increased potential for misappropriation of assets and irregularities in accounting to go undetected.

Perspective: We audited the District's student body funds. Our audit included an evaluation of internal control procedures over: cash disbursements, cash receipts, and ASB organization.

Recommendation: The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

District Response: This finding was generated at one school site. However, the District has addressed this issue for all sites. Steps taken include training all site staff on proper ASB procedures.

**CORONADO UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

Section III – Federal Award Findings and Questioned Costs

There were no federal findings and questioned costs for the fiscal year 2015-16.

**CORONADO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Section IV – State Award Finding and Questioned Costs

FINDING #2016-02: ATTENDANCE ACCOUNTING (10000)

Criteria: Absence notes, tardy notes, signed rosters and other source documentation of attendance should be correctly posted to the District’s attendance system and retained per Education Code Section 46000 et seq. Auditors are required to verify compliance in Section 19817.1 if the *Standards and Procedures for Audits of California K-12 Local Education Agencies*.

Condition: During our testing of attendance at Coronado Village Elementary School, we noted that there were multiple instances where one student was marked absent by the teacher, but the student had signed into the tardy log and was not properly reflected in the system.

Coronado Village Elementary

Auditor noted that, 2/20 of the attendance notes tested were not recorded in the attendance system correctly. Two notes were improperly recorded as full day absences in Synergy, when in fact; the students had only been tardy. Additionally, 6/10 of the absence notes tested were not recorded properly in the system.

Cause: Inadequate controls over the record keeping of attendance documents.

Effect: The District has overstated ADA, the Second Period Attendance and the Annual Attendance Reports by a net of 4 ADA.

Questioned Costs: Given 142 days in the 2014-16 P-2 attendance period and a 2015-16 LCFF Entitlement per ADA of \$606.87 for grade spans 4 through 6, the fiscal impact of the ADA overstatement is approximately \$2,427.28.

Perspective: Two (2) of 20 attendance notes and 6 of 10 absence notes.

Recommendation: We recommend that the District ensure that proper attendance accounting and record keeping is taking place at the various school sites. In addition, the District should provide training on controls and compliance over attendance accounting and revise the P-2 to reflect the changes.

District Response: This finding was generated at one school site. However, the District has addressed this issue for all sites. Steps taken include developing a new attendance recording manual and training all site staff in its use, sending site staff to three different CASBO attendance recording seminars, and work reorganization with employees who have generated attendance errors repeatedly.

**CORONADO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

FINDING #2015-01: CASH RECEIPTING INTERNAL CONTROLS (30000)

Criteria: Per Education Code 41001, all deposits and payments required by this section shall be made daily, unless the county superintendent of schools authorizes them to be made weekly or otherwise, but in no event less frequent than monthly. Proper internal control procedures require timely transfer of cash receipts from the cash clearing account to the county cash account.

Condition: During our review of the internal controls over cash receipting procedures, we noted that receipting procedures were inconsistent. In many instances, cash receipts were not being transferred from the clearing account to the county account in a timely manner. In many instances, funds were held in the clearing account for two to three months before being transferred to the county account.

Cause: Inadequate controls and monitoring over the cash receipting cycle.

Effect: Without a proper documentation trail, it is impossible to identify if all collected items were deposited to the bank in a complete and timely manner.

Perspective: Review of District internal control procedures over cash receipting.

Recommendation: We recommend that all receipts be deposited and transferred in a timely fashion with appropriate supporting documentation.

District Response: While it should be noted that all cash and checks were deposited into the clearing accounts in a timely manner, the District understands that the clearing accounts must be reconciled and transferred to the county account no later than 30 days from receipt of funds. To that end, the target practice going forward is for clearing accounts to be reconciled and transferred each two week, and in no case should deposited funds remain in clearing accounts longer than 30 days from receipt.

Current Status: Partially implemented. Systematic review of aging accounts is still in process.

**CORONADO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINDING #2015-02: CHILD CARE CENTER & BRIAN BENT MEMORIAL AQUATICS COMPLEX (BBMAC) CASH RECEIPTS (30000)

Criteria: Responsibilities for authorizing, recording, and handling of transactions are divided amongst various staff members. In addition, there should be a process in place to ensure reconciliation of collections to system billings and to ensure aging accounts are being addressed for collection.

Condition: Per review of the Child Care and BBMAC cash receipt processes, it was noted that cash/checks collected were not being reconciled to system billings before being brought to the district office. It was also noted that there is no formal oversight process for the collection of aging accounts from the Child Care and the BBMAC.

Cause: Inadequate controls to ensure proper segregation of duties and collection of aging receipts.

Effect: The potential risk for the misuse of Child Care and BBMAC money and collection of Child Care and BBMAC fees.

Perspective: We inquired with the Child Care Center and BBMAC over the cash handling process and the collection of accounts for the fiscal year.

Recommendation: We recommend that the District cross train various employees to perform duties such as recording of billings/invoicing during times of absence or vacation. In addition, we recommend oversight for uncollectible accounts at the Child Care Center and BBMAC services should ensure that all aging accounts are being addressed each fiscal year for collectability.

District Response: The District understands that cash/checks collected at the Early Child Development Center and the BBMAC should be reconciled to system billings before being brought to the district office, and that a formal oversight process for the collection of aging accounts from those locations is needed as well. Training will be provided to the sites for the former, and Business Services will institute the latter.

Current Status: Implemented.

**CORONADO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINDING #2015-03: ATTENDANCE REPORTING (10000)

State Funding Source: Local Control Funding Formula (LCFF) Entitlement

Criteria: Absence notes and other source documents of attendance should be correctly posted to the District's attendance system per California Education Code Section 46000 et seq.

Condition: Through testing performed at school sites within the District, auditors found eight (8) out twenty five (25) absent and tardy notes tested did not trace to attendance system accurately.

Effect: Possible misstatement of Average Daily Attendance (ADA) by the District.

Cause: The attendance clerk informed us that teachers are not always submitting attendance. She runs the APT602 report daily to identify the teachers who have not submitted attendance for the day. She will send the teachers with missing attendance an e-mail reminder to submit their attendance and if by the next day they have not submitted their attendance she will provide them with a paper copy to fill out however sometimes they are not returned to her. We identified instances where teachers had not submitted attendance for a given day through review of the attendance documentation. This poses a major risk for under and over reporting of attendance days.

Questioned Costs: There was an 8 of 25 days that was not corrected prior to submitting P-2. Given the District rework of P2 ADA yielded an additional 1.76 grades TK-3 ADA and an additional 1.65 grades 4-6 ADA, the fiscal impact of the ADA understatement is approximately \$21,202. The District plans to revise P-2 to include the change.

Recommendation: We recommend that the P-2 attendance report be revised to reflect 8 days of understated attendance. We also recommend that tardy notes be reconciled to the attendance system daily in order to prevent the understatement of attendance.

District Response: The District agrees that the site attendance clerk must complete the requirements for verifying attendance in a legally compliant manner, and that was not done in the area cited above. Elements of the required process will be reinforced with attendance clerks and site administration, and ongoing monitoring will occur as well.

Current Status: Not implemented, see finding #2016-2.