

**SAN JACINTO
UNIFIED SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

SAN JACINTO UNIFIED SCHOOL DISTRICT

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SAN JACINTO UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



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

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INDEPENDENT AUDITOR'S REPORT

Governing Board
San Jacinto Unified School District
San Jacinto, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 13, Budgetary Comparison Schedule on page 69, Schedule of Changes in the District's Total OPEB Liability and Related Ratios on page 70, Schedule of the District's Proportionate Share of the Net Pension Liability on page 71, and the Schedule of District Contributions on page 72, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vanneth Tuma, Day & Co, LLP

Rancho Cucamonga, California
December 4, 2018



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Diane Perez

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Board of Trustees
John I. Norman, President
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Deborah Rex, Board Member
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Assistant Superintendent
Business Services
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Assistant Superintendent
Personnel Services
Matthew Hixson

Assistant Superintendent
Educational Services
Sherry Smith

Head Start/State Preschool

Megan Cope Elementary

De Anza Elementary

Jose Antonio Estudillo Elementary

Edward H. Hatt Elementary

Park Hill Elementary

Clayton A. Record Jr. Elementary

San Jacinto Elementary

North Mountain Middle School

Monte Vista Middle School

San Jacinto Leadership Academy

**Mountain View High School/
Mountain Heights Academy**

San Jacinto High School

This section of San Jacinto Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2018, with comparative information from June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

The *Fiduciary Funds* are agency funds, which only report a balance sheet and do not have a measurement focus.

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

The Primary unit of the government is the San Jacinto Unified School District.

SAN JACINTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$57.2 million for the fiscal year ended June 30, 2018. Of this amount, \$(67.4) million was unrestricted. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)

	Governmental Activities	
	2018	(as restated) 2017
Assets		
Current and other assets	\$ 71.6	\$ 72.5
Capital assets	197.4	185.3
Total Assets	269.0	257.8
Deferred Outflows of Resources	38.9	25.6
Liabilities		
Current liabilities	9.5	9.6
Long-term obligations	125.2	120.2
Aggregate net pension liability	111.8	94.3
Total Liabilities	246.5	224.1
Deferred Inflows of Resources	4.2	2.8
Net Position		
Net investment in capital assets	101.8	99.9
Restricted	22.8	20.2
Unrestricted	(67.4)	(63.6)
Total Net Position	\$ 57.2	\$ 56.5

The \$(67.4) million in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations.

SAN JACINTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)

	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	\$ 1.0	\$ 0.7
Operating grants and contributions	26.8	22.8
General revenues:		
Federal and State aid not restricted	87.8	85.2
Property taxes	16.7	14.5
Other general revenues	31.3	6.9
Total Revenues	163.6	130.1
Expenses		
Instruction-related	107.3	93.6
Student support services	14.8	13.9
Administration	9.0	7.4
Plant services	11.4	10.9
All other services	20.4	6.5
Total Expenses	162.9	132.3
Change in Net Position	\$ 0.7	\$ (2.2)

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$162.9 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$16.7 million because the cost was paid by those who benefited from the programs (\$1.0 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$26.8 million). We paid for the remaining "public benefit" portion of our governmental activities with \$119.1 million in Federal and State aid, and with other revenues, like interest and general entitlements.

SAN JACINTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

In Table 3, we have presented the cost of each of the District's largest functions: instruction, instruction-related activities, home-to-school transportation, other pupil services, administration, plant services, and all other services, as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$ 89.2	\$ 77.8	\$ 73.2	\$ 63.8
Instruction-related activities	18.1	15.8	16.3	14.2
Home-to-school transportation	2.9	1.9	2.9	1.9
Other pupil services	11.9	12.0	5.1	5.5
Administration	9.0	7.4	8.0	6.6
Plant services	11.4	10.9	11.1	10.7
All other services	20.4	6.5	18.6	6.1
Total	\$ 162.9	\$ 132.3	\$ 135.2	\$ 108.8

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$63.8 million, which is a decrease of \$0.6 million from last year (Table 4).

Table 4

(Amounts in millions)	Fund Balance			
	July 1, 2017	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2018
General Fund	\$ 25.7	\$ 124.5	\$ 124.8	\$ 25.4
Building Fund	25.8	0.3	9.6	16.5
Adult Education Fund	0.2	0.4	0.4	0.2
Child Development Fund	-	0.7	0.7	-
Cafeteria Fund	1.3	6.1	5.7	1.7
Deferred Maintenance Fund	0.9	0.6	0.6	0.9
Capital Facilities Fund	1.3	4.0	0.9	4.4
County School Facilities Fund	1.4	0.5	0.5	1.4
COP Capital Project Fund	-	5.3	0.8	4.5
CFD Capital Project Fund	0.8	15.8	15.2	1.4
Bond Interest and Redemption Fund	4.1	4.6	4.2	4.5
COP Debt Service Fund	2.9	3.0	3.0	2.9
Total	\$ 64.4	\$ 165.8	\$ 166.4	\$ 63.8

SAN JACINTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 2018 (a schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 69).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had \$197.4 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$12.1 million from last year (Table 5).

Table 5

(Amounts in millions)

	Governmental Activities	
	2018	2017
Land and construction in progress	\$ 36.0	\$ 24.8
Buildings and improvements	159.0	158.5
Equipment	2.4	2.0
Total	\$ 197.4	\$ 185.3

This year's land and construction expenditures were primarily related to the acquisition and installation costs associated with the San Jacinto Leadership Academy's six new portable classrooms, the Culinary Arts Center at San Jacinto High School, the Lunch Enclosure at Megan Cope Elementary, and modernization projects at DeAnza Elementary and Park Hill Elementary. We present more detailed information regarding our capital assets in Note 5 of the financial statements.

Long-Term Obligations

At the end of this year, the District had \$125.2 million in long-term obligations outstanding versus \$120.2 million last year, an increase of 4.2 percent. Long-term obligations consisted of:

Table 6

(Amounts in millions)

	Governmental Activities	
	2018	(as restated) 2017
General obligation bonds	\$ 72.7	\$ 74.1
Certificates of participation	42.4	38.0
Other	10.1	8.1
Total	\$ 125.2	\$ 120.2

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Aggregate Net Pension Liability (NPL)

At year-end, the District had an aggregate net pension liability of \$111.8 million. The District has, therefore, recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2017-2018 ARE NOTED BELOW:

Facility Highlights

- Asphalt installations under solar canopies at Megan Cope Elementary, San Jacinto Leadership Academy/Record Elementary, and Monte Vista Middle Schools allowed for shaded areas where students can eat and collaborate.
- Opened newly furnished and reimagined 21st Century Media Center at San Jacinto High School.
- Culinary Arts facility construction included demolition and expansion of existing rooms, walls, ceiling, lighting, flooring, and new equipment (sinks, appliances). Scheduled project completion is Fall 2018.
- District Office ADA accessibility and Media Center redesign.
- Groundbreaking on Soboba Aquatic Center at San Jacinto High School.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2018-2019 year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

- 1) Funded COLA of 3.70 percent. Local Control Funding Formula Gap Percentage of 100 percent.
- 2) Unduplicated pupil count of 83.01 percent.
- 3) Zero growth projection due to continued slow economic recovery for the region.

SAN JACINTO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Expenditures are based on the following enrollment forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Transitional K through third	28:1	3,092
Grades fourth through fifth	31:1	1,581
Grades six through eight	29:1	2,329
Grades nine through twelve	31:1	<u>3,009</u>
TOTAL		<u>10,011</u>

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 Executive Director, Business Services, at San Jacinto Unified School District, 2045 South San Jacinto Avenue, San Jacinto, California, 92583, or e-mail at lsmith@sanjacinto.k12.ca.us.

SAN JACINTO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018

	Governmental Activities
ASSETS	
Deposits and investments	\$ 66,508,573
Receivables	5,011,317
Stores inventories	124,909
Total Current Assets	71,644,799
Capital Assets	
Land and construction in process	35,955,575
Other capital assets	230,856,631
Less: accumulated depreciation	(69,444,016)
Total Capital Assets	197,368,190
Total Assets	269,012,989
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	541,204
Deferred outflows of resources related to pensions	38,401,365
Total Deferred Outflows of Resources	38,942,569
LIABILITIES	
Accounts payable	7,485,244
Accrued interest payable	1,626,112
Unearned revenue	406,964
Long-term obligations	
Current portion of long-term obligations other than pensions	3,178,780
Noncurrent portion of long-term obligations other than pensions	122,069,746
Total Long-Term Obligations	125,248,526
Aggregate net pension liability	111,762,321
Total Liabilities	246,529,167
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	4,240,051
NET POSITION	
Net investment in capital assets	101,780,991
Restricted for:	
Debt service	5,807,140
Capital projects	7,253,561
Educational programs	8,016,329
Other activities	1,731,717
Unrestricted	(67,403,398)
Total Net Position	\$ 57,186,340

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 89,231,286	\$ 317,096	\$ 15,710,845	\$ 22,396	\$ (73,180,949)
Instruction-related activities:					
Supervision of instruction	5,475,414	4	937,267	-	(4,538,143)
Instructional library, media, and technology	1,020,091	-	-	-	(1,020,091)
School site administration	11,531,843	80,573	729,856	-	(10,721,414)
Pupil services:					
Home-to-school transportation	2,925,349	-	-	-	(2,925,349)
Food services	5,971,831	207,179	5,621,468	-	(143,184)
All other pupil services	5,856,283	19,348	886,265	-	(4,950,670)
Administration:					
Data processing	2,332,508	2,274	625	-	(2,329,609)
All other administration	6,697,898	33,155	977,199	-	(5,687,544)
Plant services	11,393,200	20,949	313,937	-	(11,058,314)
Community services	5,000	-	5,000	-	-
Interest on long-term obligations	5,427,824	-	-	-	(5,427,824)
Other outgo	15,003,576	270,545	1,538,072	-	(13,194,959)
Total Governmental Activities	\$162,872,103	\$ 951,123	\$ 26,720,534	\$ 22,396	(135,178,050)
General revenues and subventions:					
Property taxes, levied for general purposes					11,178,920
Property taxes, levied for debt service					4,558,808
Taxes levied for other specific purposes					913,682
Federal and State aid not restricted to specific purposes					87,849,574
Interest and investment earnings					704,249
Proceeds from refunding of CFD's					12,429,053
Transfers in from CFD debt funds					3,364,617
Miscellaneous					14,852,021
Subtotal, General Revenues and Subventions					135,850,924
Change in Net Position					672,874
Net Position - Beginning, as Restated					56,513,466
Net Position - Ending					\$ 57,186,340

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2018

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 29,684,599	\$ 18,644,082	\$ 18,179,892	\$ 66,508,573
Receivables	3,694,791	86,775	1,229,751	5,011,317
Due from other funds	810,829	-	5,070,904	5,881,733
Stores inventories	-	-	124,909	124,909
Total Assets	\$ 34,190,219	\$ 18,730,857	\$ 24,605,456	\$ 77,526,532
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,085,756	\$ 1,989,557	\$ 409,931	\$ 7,485,244
Due to other funds	3,420,615	290,354	2,170,764	5,881,733
Unearned revenue	277,748	-	129,216	406,964
Total Liabilities	8,784,119	2,279,911	2,709,911	13,773,941
Fund Balances:				
Nonspendable	10,000	-	125,109	135,109
Restricted	8,016,329	16,450,946	20,889,086	45,356,361
Committed	-	-	881,350	881,350
Assigned	9,984,160	-	-	9,984,160
Unassigned	7,395,611	-	-	7,395,611
Total Fund Balances	25,406,100	16,450,946	21,895,545	63,752,591
Total Liabilities and Fund Balances	\$ 34,190,219	\$ 18,730,857	\$ 24,605,456	\$ 77,526,532

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		\$ 63,752,591
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 266,812,206	
Accumulated depreciation is	<u>(69,444,016)</u>	
Net Capital Assets		197,368,190
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(1,626,112)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds.		
Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	9,931,301	
Net change in proportionate share of net pension liability	6,505,549	
Differences between projected and actual earnings on pension plan investments	1,063,160	
Differences between expected and actual experience in the measurement of the total pension liability	1,400,698	
Changes of assumptions	<u>19,500,657</u>	
Total Deferred Outflows of Resources Related to Pensions		38,401,365
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds.		
Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pensions liability	(306,897)	
Differences between projected and actual earnings on pension plan investments	(2,158,030)	
Differences between expected and actual experience in the measurement of the total pension liability	(1,413,278)	
Changes of assumptions	<u>(361,846)</u>	
Total Deferred Inflows of Resources Related to Pensions		(4,240,051)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of amounts paid by the District for OPEB as the benefits come due subsequent to measurement the date.		541,204
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(111,762,321)

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term obligations at year-end consist of:

General Obligation Bonds (including premium)	\$ 72,739,532	
Certificates of Participation (including premium, net of discount)	42,410,974	
Capital Leases	1,358,195	
Compensated absences (vacations)	97,273	
Total other postemployment benefits (OPEB) liability	<u>8,642,552</u>	
Total Long-Term Obligations		<u>\$ (125,248,526)</u>
Total Net Position - Governmental Activities		<u>\$ 57,186,340</u>

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	\$ 95,035,068	\$ -	\$ 600,000	\$ 95,635,068
Federal sources	8,136,972	-	5,415,805	13,552,777
Other State sources	12,884,412	-	1,104,494	13,988,906
Other local sources	6,926,661	249,090	8,675,339	15,851,090
Total Revenues	122,983,113	249,090	15,795,638	139,027,841
EXPENDITURES				
Current				
Instruction	74,664,980	-	720,601	75,385,581
Instruction-related activities:				
Supervision of instruction	4,513,224	-	5	4,513,229
Instructional library, media, and technology	792,726	-	-	792,726
School site administration	9,832,379	-	175,772	10,008,151
Pupil services:				
Home-to-school transportation	2,093,954	-	-	2,093,954
Food services	249,580	-	5,457,038	5,706,618
All other pupil services	5,494,924	-	95,519	5,590,443
General administration:				
Data processing	2,023,359	-	-	2,023,359
All other general administration	5,625,176	-	321,043	5,946,219
Plant services	9,631,941	-	1,290,990	10,922,931
Ancillary services				
Community services	5,000	-	-	5,000
Other outgo	226,155	-	-	226,155
Facility acquisition and construction	6,290,903	9,563,808	858,780	16,713,491
Debt service				
Principal	199,129	-	1,749,287	1,948,416
Interest and other	57,220	-	5,644,351	5,701,571
Total Expenditures	121,700,650	9,563,808	16,313,386	147,577,844
Excess (Deficiency) of Revenues Over Expenditures	1,282,463	(9,314,718)	(517,748)	(8,550,003)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	4,135,599	4,135,599
Other sources -proceeds from issuance of Community Facilities District bonds	-	-	15,793,670	15,793,670
Other sources - proceeds from issuance of Certificates of Participation bonds	-	-	5,281,335	5,281,335
Other sources - proceeds from capital leases	1,557,324	-	-	1,557,324
Other uses - refunding of Community Facilities District bonds	-	-	(14,777,421)	(14,777,421)
Transfers out	(3,116,872)	-	(1,018,727)	(4,135,599)
Net Financing Sources (Uses)	(1,559,548)	-	9,414,456	7,854,908
NET CHANGE IN FUND BALANCES	(277,085)	(9,314,718)	8,896,708	(695,095)
Fund Balances - Beginning	25,683,185	25,765,664	12,998,837	64,447,686
Fund Balances - Ending	\$ 25,406,100	\$ 16,450,946	\$ 21,895,545	\$ 63,752,591

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds **\$ (695,095)**

**Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:**

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

This is the amount by which capital outlays exceeds depreciation for the period.

Capital outlays	\$ 17,412,360	
Depreciation expense	<u>(5,372,742)</u>	
Net Expense Adjustment		12,039,618

Some of the capital assets acquired this year were financed with capital leases.

The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Position.

(1,557,324)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Compensated absences earned were more than the amounts used by \$(21,690).

(21,690)

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

(5,903,092)

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

(130,371)

Proceeds received from the issuance of Certificates of Participation is revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.

(4,910,000)

Governmental funds report the effect of premiums, discounts, and issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized over the life of the debt in the Statement of Activities.

Premium on issuance of Certificates of Participation	(371,335)
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The accompanying notes are an integral part of these financial statements.

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

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

General obligation bonds	\$	854,287
Certificates of participation		895,000
Capital leases		199,129

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

Amortization of debt premium	\$	532,797	
Amortization of discount on bond issuance		(25,468)	
Amortization of deferred amount on refunding		<u>(173,640)</u>	
Combined Adjustment			333,689

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

		<u>(59,942)</u>
Change in Net Position of Governmental Activities	\$	<u>672,874</u>

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2018

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	<u>\$ 2,003,281</u>
LIABILITIES	
Due to student groups	\$ 333,328
Due to bondholders	<u>1,669,953</u>
Total Liabilities	<u>\$ 2,003,281</u>

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The San Jacinto Unified School District (the District) was unified on March 29, 1944, under the laws of the State of California. The District operates under a locally elected five member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates seven elementary schools, three middle schools, one comprehensive high school, one alternative high school, one adult education school, two Head Start preschools, one delegate State preschool, and one direct State preschool.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units are essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

On August 20, 1990, members of the District's board of education and district employees formed a nonprofit benefit corporation, known as the San Jacinto Unified School District School Facilities Corporation (the Corporation), which is organized under Nonprofit Benefit Corporation Law of the State of California. The purpose of the Facilities Corporation is to provide financing assistance to the District for construction and acquisition of major capital facilities. The Corporation issued Certificates of Participation (COPs), a form of long-term obligations, which the District used to finance construction and acquisition of some of its facilities.

The Facilities Corporation's financial activity is presented in the financial statements as the COP Capital Projects Fund and COP Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term obligations in the government-wide financial statements. Individually prepared financial statements of the Facilities Corporation may be obtained through the business office of the District.

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

On June 1, 2017, members of the District's board of education and district employees formed a Joint Powers Act under *Section 6500 of the California Government Code*, known as the San Jacinto Unified School District Financing Authority. The purpose of the Financing Authority is to provide financing assistance to the District for construction and acquisition of major capital facilities under Community Facilities District's.

The Community Facilities District (CFD's) financial activity is presented in the financial statements as the CFD Capital Projects Fund. Individually prepared financial statements of the San Jacinto Unified School District's Financing Authority may be obtained through the business office of the District.

Pursuant to the Mello-Roos Community Facilities Act of 1982, the District established the Community Facilities Districts Nos. 2003-1, 2003-2, 2003-3, 2004-3, 2004-5, 2005-1, 2005-2, 2005-4, 2006-1, and 2006-2, legally constituted government entities, for the purpose of financing special capital projects. The Community Facilities District were authorized, at special elections, to incur indebtedness and subsequently sold bonds for the purpose of providing educational facilities within the District boundaries. The repayment of the bonds are not a general or special obligation of the Community Facilities District and the District, but rather are limited obligations payable solely from the proceeds of special taxes levied on property within the Community Facilities District.

The Community Facilities Districts' financial activity is presented in the financial statements in the CFD Capital Project Fund, and in an agency fund.

The following are those aspects of the relationship between the District and the Community Facilities Districts, which satisfy Statement Three criteria.

1. Manifestations of Oversight

- a. The Community Facilities Districts and the District have common boards.
- b. The Community Facilities Districts have no employees. The District's Superintendent functions as an agent of the Community Facilities District.
- c. The District exercises significant influence over operations of the Community Facilities Districts as all projects of the Community Facilities Districts involve the San Jacinto Unified School District.

2. Accountability for Fiscal Matters

The District is responsible for preparation of the annual budgets for the Community Facilities Districts.

3. Scope of Public Service

The Community Facilities Districts were created specifically to finance capital improvements for the San Jacinto Unified School District.

Other Related Entities

Charter School The District has approved a charter for San Jacinto Valley Academy pursuant to *Education Code* Section 47605. The San Jacinto Valley Academy was granted and approved on June 9, 1997, for a term of three years commencing July 1, 1997. The charter was renewed an additional five year extension on June 10, 2014; extending the term through August 30, 2019.

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The San Jacinto Valley Academy Charter School (the Charter School) is not operated by the District. The Charter School operates and provides school services as an independent entity and is not considered a component unit of the District. The District's General Fund includes property taxes received for the charter school and a corresponding expense in other outgo.

The Charter School is required in its individual charter agreement to have an annual financial audit performed. Additionally, the Charter School is to provide the District with an annual performance report.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Non-Major Governmental Funds

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

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

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) 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.).

Certificates of Participation (COP) Capital Projects Fund The COP Capital Projects Fund is used to account for capital projects financed by Certificates of Participation.

Community Facilities District (CFD) Capital Projects Fund The CFD Capital Projects Fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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

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

Certificates of Participation (COP) Debt Service Fund The COP Debt Service Fund is used to account for the accumulation of resources for the payment of principal and interest on certificates of participation and are considered blended component units of the District under generally accepted accounting principles (GAAP).

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency funds include:

- Debt Service Special Tax Bonds - this is an Agency fund used to account for the resources accumulated for the repayment of special assessment debt of the component unit described under financial reporting entity.
- Student Funds - are Agency funds used to account for student fund activities.

Basis of Accounting - Measurement Focus

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

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

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Investments

Investments held at June 30, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County investment pools are determined by the program sponsor.

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight line method.

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

Deferred Outflows/Inflows of Resources

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

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

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

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

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board, Superintendent, or designee may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than five percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The District has related debt outstanding as of June 30, 2018. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$22,808,747 of restricted net position.

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.

Estimates

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

Property Tax

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

Change in Accounting Principles

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

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

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

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

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

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

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

New Accounting Pronouncements

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

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

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

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

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

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

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

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

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

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

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

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

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

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

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

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 66,508,573
Fiduciary funds	2,003,281
Total Deposits and Investments	<u>\$ 68,511,854</u>

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

Cash on hand and in banks	\$ 333,328
Cash in revolving	10,200
Investments	68,168,326
Total Deposits and Investments	<u>\$ 68,511,854</u>

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

General Authorizations

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

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

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the *California Government Code* or the County's investment policy. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Riverside County Investment Pool and having the pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Investment Type	Fair Value	Maturity Date
Money Market Funds - Invesco Short-Term Investments Trust Treasury	\$ 3,077,811	23*
Money Market Funds - US Bank Money Market Account	7,352,026	N/A
Riverside County Investment Pool	57,412,417	427*
Total	<u>\$ 67,842,254</u>	

* Weighted average days to maturity

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the *California Government Code*, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type. Invesco Short-Term Investments Trust Treasury were rated by Standard & Poor's, and US Bank Funds and the Riverside County Investment Pool was rated by Fitch Ratings.

Investment Type	Minimum Legal Rating	Rating at June 30, 2018	Fair Value
Money Market Funds - Invesco Short-Term Investments Trust Treasury	Not required	AAAm	\$ 3,077,811
Money Market Funds - US Bank Money Market Account	Not required	AA-/F1+	7,352,026
Riverside County Investment Pool	Not required	AAAf/S1	57,412,417
			<u>\$ 67,842,254</u>

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District had \$103,257 that was uninsured.

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

Investment Type	Level 1		
	Fair Value	Inputs	Uncategorized
Money Market Funds - Invesco Short-Term Investments Trust Treasury	\$ 3,077,811	\$ 3,077,811	\$ -
Money Market Funds - US Bank Money Market Account	7,352,026	7,352,026	-
Riverside County Investment Pool	57,412,417	-	57,412,417
Total	<u>\$ 67,842,254</u>	<u>\$ 10,429,837</u>	<u>\$ 57,412,417</u>

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 4 - RECEIVABLES

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical Aid	\$ 1,423,306	\$ -	\$ 782,487	\$ 2,205,793
State Government				
Categorical Aid	961,695	-	209,116	1,170,811
Lottery	412,478	-	-	412,478
Local Government				
Interest	132,456	86,775	21,038	240,269
Other Local Sources	764,856		217,110	981,966
Total	<u>\$ 3,694,791</u>	<u>\$ 86,775</u>	<u>\$ 1,229,751</u>	<u>\$ 5,011,317</u>

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 14,482,604	\$ -	\$ -	\$ 14,482,604
Construction in progress	10,346,835	14,716,730	3,590,594	21,472,971
Total Capital Assets				
Not Being Depreciated	24,829,439	14,716,730	3,590,594	35,955,575
Capital Assets Being Depreciated:				
Site improvements	19,578,924	3,338,754	-	22,917,678
Buildings and improvements	196,343,048	2,179,394	-	198,522,442
Furniture and equipment	8,648,435	768,076	-	9,416,511
Total Capital Assets				
Being Depreciated	224,570,407	6,286,224	-	230,856,631
Total Capital Assets	249,399,846	21,002,954	3,590,594	266,812,206
Less Accumulated Depreciation:				
Site improvements	8,125,591	933,043	-	9,058,634
Buildings and improvements	49,250,308	4,119,435	-	53,369,743
Furniture and equipment	6,695,375	320,264	-	7,015,639
Total Accumulated Depreciation	64,071,274	5,372,742	-	69,444,016
Governmental Activities				
Capital Assets, Net	\$ 185,328,572	\$ 15,630,212	\$ 3,590,594	\$ 197,368,190

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

Governmental Activities	
Instruction	\$ 3,490,518
Supervision of instruction	210,989
Instructional library, media, and technology	37,059
School site administration	459,655
Pupil transportation	97,890
Food services	11,668
All other pupil services	257,117
All other general administration	262,972
Data processing services	94,590
Plant services	450,284
Total Depreciation Expenses Governmental Activities	\$ 5,372,742

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2018, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	Building Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 810,829	\$ 810,829
Non-Major Governmental Funds	3,420,615	290,354	1,359,935	5,070,904
	<u>\$ 3,420,615</u>	<u>\$ 290,354</u>	<u>\$ 2,170,764</u>	<u>\$ 5,881,733</u>

A balance of \$16,921 is due to the General Fund from the Adult Education Non-Major Governmental Fund for reimbursements of operating expenditures and indirect costs. \$ 16,921

A balance of \$129,766 is due to the General Fund from the Child Development Non-Major Governmental Fund for reimbursements of program expenditures and a temporary loan. 129,766

A balance of \$664,142 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for a temporary loan and reimbursement of indirect costs and operating expenditures. 664,142

A balance of \$123,060 is due to the Cafeteria Non-Major Governmental Fund from the General Fund for reimbursement of operating expenditures. 123,060

A balance of \$600,000 is due to the Deferred Maintenance Non-Major Governmental Fund from the General Fund for the commitment of LCFF revenues. 600,000

A balance of \$2,697,555 is due to the Capital Facilities Non-Major Governmental Fund from the General Fund for expenditures related to capital projects. 2,697,555

A balance of \$803,316 is due to the Capital Facilities Non-Major Governmental Fund from the County School Facilities Non-Major Governmental Fund for reimbursement of expenditures for capital projects. 803,316

A balance of \$290,354 is due to the County School Facilities Non-Major Governmental Fund from the Building Fund for expenditures related to capital projects. 290,354

A balance of \$556,619 is due to the County School Facilities Non-Major Governmental Fund for Capital Facilities Non-Major Governmental Fund for reimbursement to expenditures for capital projects. 556,619
\$ 5,881,733

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Operating Transfers

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

Transfer To	Transfer From		Total
	General Fund	Non-Major Governmental Funds	
Non-Major Governmental Funds	\$ 3,116,872	\$ 1,018,727	\$ 4,135,599
The General Fund transferred to the Cafeteria Non-Major Governmental Fund to cover operating expenditures.			\$ 32,967
The General fund transferred to Capital Facilities Non-Major Governmental Fund for reimbursement of State Emergency Repair Projects.			1,417,049
The General fund transferred to Capital Facilities Non-Major Governmental Fund for debt payments for construction.			1,280,506
The General Fund transferred to the COP Debt Service Non-Major Governmental Fund for debt service payments on the outstanding certificates of participation.			386,350
The County Schools Facilities Non-Major Governmental Fund transferred to the Capital Facilities Non-Major Governmental Fund for future State matching construction.			462,108
The COP Capital Projects Non-Major Governmental Fund transferred to the Capital Facilities Non-Major Governmental Fund for various reimbursement requests.			556,619
			<u>\$ 4,135,599</u>

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
LCFF apportionment	\$ 1,284,256	\$ -	\$ -	\$ 1,284,256
Salaries and benefits	529,399	-	38,121	567,520
Construction	526,210	1,989,557	286,443	2,802,210
Contracted and professional services	1,462,013	-	-	1,462,013
Other vendor payables	1,283,878	-	85,367	1,369,245
Total	<u>\$ 5,085,756</u>	<u>\$ 1,989,557</u>	<u>\$ 409,931</u>	<u>\$ 7,485,244</u>

NOTE 8 - UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 62,107	\$ 83,204	\$ 145,311
State categorical aid	215,641	14,922	230,563
Other local	-	31,090	31,090
Total	<u>\$ 277,748</u>	<u>\$ 129,216</u>	<u>\$ 406,964</u>

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	(as restated) Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
General Obligation Bonds - Series A	\$ 439,757	\$ -	\$ 95,334	\$ 344,423	\$ 91,637
General Obligation Bonds - Series B	589,213	-	88,953	500,260	85,698
General Obligation Bonds - Series 2007	585,000	-	585,000	-	-
Premium on bond	85,074	-	85,074	-	-
General Obligation Refunding Bonds - Series 2014	39,185,000	-	85,000	39,100,000	825,000
Premium on bond	5,612,248	-	372,083	5,240,165	-
General Obligation Bonds - Series 2017	26,150,000	-	-	26,150,000	880,000
Premium on bond	1,464,037	-	59,353	1,404,684	-
2010 Refunding Certificates of Participation	38,580,000	-	895,000	37,685,000	930,000
Discount on bond issuance	(564,542)	-	25,468	(539,074)	-
2017 Financing Certificates of Participation	-	4,910,000	-	4,910,000	160,000
Premium on Certificates of Participation	-	371,335	16,287	355,048	-
Capital Leases	-	1,557,324	199,129	1,358,195	206,445
Compensated Absences	75,583	21,690	-	97,273	-
Total other postemployment benefits (OPEB) liability	7,970,977	857,167	185,592	8,642,552	-
	<u>\$120,172,347</u>	<u>\$ 7,717,516</u>	<u>\$ 2,692,273</u>	<u>\$125,248,526</u>	<u>\$ 3,178,780</u>

Payments on the General Obligations Bonds are made by the Bond Interest and Redemption Fund with local revenue. The COP Debt Service Fund makes the payments for the Certificates of Participation. The Capital Lease is paid by the General Fund. The total OPEB liability and the compensated absences will be paid by the fund for which the employee worked.

1997 General Obligation Bonds, Series A

In March 1997, the District issued the \$3,500,000 1997 General Obligation Bonds, Series A. The Series A bonds were issued as capital appreciation bonds. The bonds have a final maturity of June 1, 2022, with interest rate yields of 3.90 to 6.00 percent. Proceeds from the sale of the bonds were used to finance new construction of a new middle school for the District. At June 30, 2018, the principal balance outstanding of the 1997 General Obligation Bonds, Series A was \$344,423.

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

1998 General Obligation Bonds, Series B

In January 1998, the District issued the \$3,000,000 1998 General Obligation Bonds, Series B. The Series B bonds were issued as capital appreciation bonds. The bonds have a final maturity of June 1, 2023, with interest rate yields of 3.80 to 5.20 percent. Proceeds from the sale of the bonds were used to finance new construction of a new middle school for the District. At June 30, 2018, the principal balance outstanding of the 1998 General Obligation Bonds, Series B was \$500,260.

2006 General Obligation Bonds, Series 2007

In August 2007, the District issued the \$42,000,000 Election of 2006 General Obligation Bonds, Series 2007. The Series 2007 bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2017, with interest rate yields of 4.25 to 5.25 percent. Proceeds from the sale of the bonds were used to finance the acquisition, construction and modernization of District facilities. At June 30, 2018, the bonds had been paid in full.

2014 General Obligation Refunding Bonds, Series 2014

In December 2014, the District issued the \$40,235,000 2014 General Obligation Refunding Bonds, Series 2014. The 2014 General Obligation Refunding bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2032, with interest rate yields of 3.00 to 5.00 percent. Proceeds from the sale of the bonds were used to provide refunding of \$40,940,000 in current interest bonds associated with the District's 2007 General Obligation Bonds, Series 2007. The refunding resulted in a cumulative cash flow savings of \$4,803,294 over the life of the new debt and an economic gain of \$3,690,993 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.75 percent. At June 30, 2018, the principal balance outstanding of the 2014 General Obligation Refunding Bonds, Series 2014 was \$39,100,000, and unamortized premium on issuance of \$5,240,165.

2016 General Obligation Bonds, Series 2017

In February 2017, the District issued the \$26,150,000 Election of 2016, Series 2017. The Series 2017 bonds were issued as current interest bonds. The bonds have a final maturity of August 2042, with interest rate yields of 2.00 to 5.00 percent. Proceeds from the sale of the bonds were used to finance the acquisition, construction and modernization of District facilities. At June 30, 2018, the principal balance outstanding of the 2017 series was \$26,150,000 and unamortized premium on issuance of \$1,404,684.

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Interest Rate	Maturity Date	Original Issue	Bonds Outstanding July 1, 2017	Issued	Redeemed	Bonds Outstanding June 30, 2018
1997	3.90 - 6.00%	2022	\$ 3,500,000	\$ 439,757	\$ -	\$ 95,334	\$ 344,423
1998	3.80 - 5.20%	2023	3,000,000	589,213	-	88,953	500,260
2007	4.25 - 5.25%	2018	42,000,000	585,000	-	585,000	-
2014	3.00 - 5.00%	2033	40,235,000	39,185,000	-	85,000	39,100,000
2017	2.00 - 5.00%	2042	26,150,000	26,150,000	-	-	26,150,000
				<u>\$ 66,948,970</u>	<u>\$ -</u>	<u>\$ 854,287</u>	<u>\$ 66,094,683</u>

Debt Service Requirements to Maturity

The 1997 General Obligation Bonds, Series A mature through 2022 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 91,637	\$ 248,363	\$ 340,000
2020	87,647	257,353	345,000
2021	85,008	269,992	355,000
2022	80,131	274,869	355,000
Total	<u>\$ 344,423</u>	<u>\$ 1,050,577</u>	<u>\$ 1,395,000</u>

The 1998 General Obligation Bonds, Series B mature through 2023 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 85,698	\$ 169,302	\$ 255,000
2020	83,021	176,979	260,000
2021	80,035	184,965	265,000
2022	77,462	192,538	270,000
2023	174,044	464,531	638,575
Total	<u>\$ 500,260</u>	<u>\$ 1,188,315</u>	<u>\$ 1,688,575</u>

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The 2014 General Obligation Refunding Bonds, Series 2014 mature through 2033 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2019	\$ 825,000	\$ 1,880,100	\$ 2,705,100
2020	1,145,000	1,834,975	2,979,975
2021	1,445,000	1,770,225	3,215,225
2022	1,790,000	1,689,350	3,479,350
2023	2,125,000	1,591,475	3,716,475
2024-2028	14,700,000	5,999,500	20,699,500
2029-2033	17,070,000	1,657,075	18,727,075
Total	<u>\$ 39,100,000</u>	<u>\$ 16,422,700</u>	<u>\$ 55,522,700</u>

The 2016 General Obligation Bonds, Series 2017 mature through 2042 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2019	\$ 880,000	\$ 1,064,250	\$ 1,944,250
2020	-	1,055,450	1,055,450
2021	105,000	1,054,400	1,159,400
2022	160,000	1,051,750	1,211,750
2023	215,000	1,048,000	1,263,000
2024-2028	2,140,000	5,061,375	7,201,375
2029-2033	4,635,000	4,310,825	8,945,825
2034-2038	8,225,000	2,827,738	11,052,738
2039-2042	9,790,000	772,687	10,562,687
Total	<u>\$ 26,150,000</u>	<u>\$ 18,246,475</u>	<u>\$ 44,396,475</u>

2010 Refunding Certificates of Participation

In January 2010, the District, pursuant to a sublease agreement with the San Jacinto Unified School District Facilities Corporation, issued the 2010 Refunding Certificates of Participation in the amount of \$43,380,000. The Certificates were issued at an aggregate price of \$41,415,458 (representing the principal amount of \$43,380,000, less discount on issuance of \$764,038 and less issuance costs of \$1,200,504). The Certificates have a final maturity date of September 1, 2040, with interest rates ranging from 2.00 to 5.45 percent. Proceeds from the Certificates, together with other available funds, were used to refund all of the District's outstanding Certificates of Participation (1997 Facility Bridge Funding, 1998 School Facility Bridge Funding Program, and 2006 School Facility Bridge Funding Program). As of June 30, 2018, the principal balance outstanding was \$37,685,000. Unamortized discount as of June 30, 2018, was \$539,074.

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The certificates mature through 2041 as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 930,000	\$ 1,918,225	\$ 2,848,225
2020	965,000	1,879,722	2,844,722
2021	1,000,000	1,839,194	2,839,194
2022	1,045,000	1,792,444	2,837,444
2023	1,100,000	1,741,569	2,841,569
2024-2028	6,320,000	7,848,269	14,168,269
2029-2033	8,090,000	6,013,913	14,103,913
2034-2038	10,490,000	3,549,650	14,039,650
2039-2041	7,745,000	638,952	8,383,952
Total	<u>\$ 37,685,000</u>	<u>\$ 27,221,938</u>	<u>\$ 64,906,938</u>

2017 Financing Certificates of Participation

In August 2017, the District, pursuant to a sublease agreement with the San Jacinto Unified School District Facilities Corporation, issued the 2017 Financing Certificates of Participation in the amount of \$4,910,000. The Certificates were issued at an aggregate price of \$5,086,091 (representing the principal amount of \$4,910,000, plus premium on issuance of \$371,335 and less issuance cost of \$195,244). The Certificates have a final maturity date of September 1, 2037, with interest rates ranging from 2.00 to 3.25 percent. Proceeds from the Certificate, together with other available funds, will be used to finance the acquisition, construction and installation of aquatic facilities at San Jacinto High School. As of June 30, 2018, the principal balance outstanding was \$4,910,000 and unamortized premium on issuance of \$355,048.

The certificates mature through 2038 as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 160,000	\$ 185,288	\$ 345,288
2020	170,000	181,138	351,138
2021	175,000	175,088	350,088
2022	180,000	167,988	347,988
2023	185,000	159,763	344,763
2024-2028	1,080,000	646,188	1,726,188
2029-2033	1,365,000	365,263	1,730,263
2034-2038	1,595,000	129,115	1,724,115
Total	<u>\$ 4,910,000</u>	<u>\$ 2,009,831</u>	<u>\$ 6,919,831</u>

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Portable Classrooms
Balance, July 1, 2017	\$ -
Additions	1,794,458
Payments	256,350
Balance, July 1, 2018	<u>\$ 1,538,108</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2019	\$ 256,349
2020	256,350
2021	256,360
2022	256,349
2023	256,349
2024	256,351
Total	1,538,108
Less: Amount Representing Interest	179,913
Present Value of Minimum Lease Payments	<u>\$ 1,358,195</u>

Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to \$97,273.

Total Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported a total OPEB liability, deferred outflows of resources, and OPEB expense of \$8,642,552, \$541,204, and \$671,575, respectively.

Plan Administration

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits payments	41
Active employees	925
	<u>966</u>

Benefits Provided

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

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2016-2017, the District paid \$185,592 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$8,642,552 was measured as of June 30, 2017, and determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.75 percent
Salary increases	2.75 percent
Discount rate	3.50 percent
Healthcare cost trend rates	4.00 percent

The discount rate was based on the Bond Buyer 20-Bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study as of January 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 7,970,977
Service cost	571,767
Interest	285,400
Benefit payments	(185,592)
Net change in total OPEB liability	671,575
Balance at June 30, 2018	\$ 8,642,552

Changes of assumptions and other inputs reflect a change in the discount rate from 4.50 percent in 2016 to 3.50 percent in 2017.

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.5%)	\$ 9,404,423
Current discount rate (3.5%)	8,642,552
1% increase (4.5%)	7,957,932

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.0%)	\$ 8,413,040
Current healthcare cost trend rate (4.0%)	8,642,552
1% increase (5.0%)	8,831,677

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Deferred Outflows of Resources Related to OPEB

At June 30, 2018, the District reported deferred outflows of resources for the amount paid by the District for OPEB as the benefits come due subsequent to measurement date of \$541,204.

NOTE 10 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issued by the Community Facility District as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facilities District according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders. The Community Facilities District Special Tax Bonds currently active include Community Facilities District Nos. 2003-2, 2003-3, 2004-3, 2004-4, 2004-5, 2005-1, 2005-2, 2005-4, 2006-1, and 2006-2, with a remaining balance as of June 30, 2018, of \$16,385,000.

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 10,000	\$ -	\$ 200	\$ 10,200
Stores inventories	-	-	124,909	124,909
Total Nonspendable	10,000	-	125,109	135,109
Restricted				
Legally restricted programs	8,016,329	-	1,731,717	9,748,046
Capital projects	-	16,450,946	11,724,117	28,175,063
Debt services	-	-	7,433,252	7,433,252
Total Restricted	8,016,329	16,450,946	20,889,086	45,356,361
Committed				
Deferred maintenance program	-	-	881,350	881,350
Assigned				
Gap funding contingencies and supplemental/concentration grant set aside	9,984,160	-	-	9,984,160
Unassigned				
Reserve for economic uncertainties	7,395,611	-	-	7,395,611
Total Unassigned	7,395,611	-	-	7,395,611
Total	\$ 25,406,100	\$ 16,450,946	\$ 21,895,545	\$ 63,752,591

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases commercial insurance for property damage with coverage up to a maximum of \$300 million; subject to various policy sublimits generally ranging from \$1 million to \$50 million and deductibles ranging from \$25,000 to \$300,000 per occurrence. The District also purchases commercial insurance for general liability claims with coverage up to \$1 million per occurrence and \$2 million aggregate, with excess liability coverage over \$25 million, all subject to various deductibles up to \$20,000 per occurrence and per employee policy limit, subject to a deductible of \$100,000 per occurrence per claim, up to a maximum of \$1.5 million for 2018. Employee health benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan.

The District's risk management activities are recorded in the General Fund. The fund administers employee life, health, property, and liability, workers' compensation, and unemployment programs of the District as premiums are paid to insurance carriers and JPAs to which the District is a member.

Significant losses are covered by commercial insurance via the carriers and JPAs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 81,029,083	\$ 27,487,339	\$ 3,878,205	\$ 9,325,323
CalPERS	30,733,238	10,914,026	361,846	6,509,070
Total	<u>\$ 111,762,321</u>	<u>\$ 38,401,365</u>	<u>\$ 4,240,051</u>	<u>\$ 15,834,393</u>

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were \$7,162,732.

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

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

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 81,029,083
State's proportionate share of net pension liability associated with the District	47,936,121
Total	<u>\$ 128,965,204</u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.0876 percent and 0.0861 percent, respectively, resulting in a net increase in the proportionate share of 0.0015 percent.

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

For the year ended June 30, 2018, the District recognized pension expense of \$9,325,323. In addition, the District recognized pension expense and revenue of \$4,825,231 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,162,732	\$ -
Net change in proportionate share of net pension liability	5,013,370	306,897
Differences between projected and actual earnings on the pension plan investments	-	2,158,030
Differences between expected and actual experience in the measurement of the total pension liability	299,653	1,413,278
Changes of assumptions	15,011,584	-
Total	<u>\$ 27,487,339</u>	<u>\$ 3,878,205</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (1,794,051)
2020	1,357,567
2021	195,753
2022	(1,917,299)
Total	<u>\$ (2,158,030)</u>

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The deferred outflows of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	\$ 3,343,037
2020	3,343,037
2021	3,343,037
2022	3,343,040
2023	2,509,838
Thereafter	2,722,443
Total	<u>\$ 18,604,432</u>

Actuarial Methods and Assumptions

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

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

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 118,976,418
Current discount rate (7.10%)	81,029,083
1% increase (8.10%)	50,232,249

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$2,768,569.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$30,733,238. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.1287 percent and 0.1252 percent, respectively, resulting in a net increase in the proportionate share of 0.0035 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$6,509,070. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,768,569	\$ -
Net change in proportionate share of net pension liability	1,492,179	-
Differences between projected and actual earnings on the pension plan investments	1,063,160	-
Differences between expected and actual experience in the measurement of the total pension liability	1,101,045	-
Changes of assumptions	4,489,073	361,846
Total	<u>\$ 10,914,026</u>	<u>\$ 361,846</u>

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (28,808)
2020	1,226,656
2021	447,498
2022	(582,186)
Total	<u>\$ 1,063,160</u>

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

Year Ended June 30,	Deferred Outflows of Resources
2019	\$ 2,715,089
2020	2,316,850
2021	1,688,512
Total	<u>\$ 6,720,451</u>

Actuarial Methods and Assumptions

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

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

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 45,218,441
Current discount rate (7.15%)	30,733,238
1% increase (8.15%)	18,716,548

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Employee Flexible Benefit Plan

The District adopted a Section 125 Flexible Benefit Plan, effective April 1, 2001. Eligible participants must be at least 17 years old and work a minimum of 15 hours per week. The participant is eligible on the first day of the month following 30 days of employment. The maximum salary reduction allowed per plan year is \$15,000. Available benefits of the plan are: Group Hospital and Surgery Insurance, Disability Income Insurance, Cancer Coverage, Dental/Vision Insurance, Group Life Insurance, Dependent Care Assistance Plan, and Medical Expense Reimbursement Plan. The District may, at its sole discretion, provide a non-elective contribution to provide benefits for each participant under the plan. This amount will be set by the District each plan year in a uniform and nondiscriminatory manner. The District did not make any non-elective contributions during the year ended June 30, 2018.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,898,235 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the original budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The District entered into a five-year contract with Hemet Unified School District (HUSD) for home-to-school pupil transportation services and maintenance and repair services for buses and related support vehicles for the San Jacinto Unified School District. The contract was effective July 1, 2015.

Future minimum payments under these arrangements are as follows:

Year Ending June 30,	
2019	\$ 351,772
2020	351,772
	<u>\$ 703,544</u>

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Litigation

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

Operating Leases

The District has entered into various operating leases for buildings and equipment. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors. It is expected that, in the normal course of business, most of these leases will be replaced by similar leases. Expenditures for rent under leases for the year ended June 30, 2018, amounted to \$239,687.

Construction Commitments

	Remaining Construction Commitment	Expected Date of Completion
CAPITAL PROJECTS		
De Anza Modernization	\$ 1,495,249	2019
Park Hill Modernization	1,480,692	2019
	<u>\$ 2,975,941</u>	

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

The District is a member of the Riverside Schools Insurance Authority (RSIA), Riverside County Employer/Employee Partnership for Benefits (REEP), Joint Education Transit (JET), and Riverside Schools Risk Management Authority (RSRMA) joint powers authorities (JPAs). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. Payments for these services received are paid to the above mentioned JPAs. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The District has appointed no board members to the governing board of the JPAs mentioned above.

During the year ended June 30, 2018, the District made payments of \$631,367, \$11,284,773, \$6,049, and \$1,767,024, to RSIA, REEP, JET, and RSRMA, respectively, for services received.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

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

Government-Wide Financial Statements	
Net Position - Beginning	\$ 62,435,587
Inclusion of total OPEB liability from the adoption of GASB Statement No. 75	(5,922,121)
Net Position - Beginning, as Restated	<u>\$ 56,513,466</u>

REQUIRED SUPPLEMENTARY INFORMATION

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
REVENUES				
Local Control Funding Formula	\$93,917,000	\$ 95,455,300	\$ 95,035,068	\$ (420,232)
Federal sources	7,665,614	9,514,427	8,136,972	(1,377,455)
Other State sources	8,654,698	11,577,676	12,884,412	1,306,736
Other local sources	5,594,297	6,175,004	6,926,661	751,657
Total Revenues¹	115,831,609	122,722,407	122,983,113	260,706
EXPENDITURES				
Current				
Certificated salaries	50,748,809	51,580,382	51,123,390	456,992
Classified salaries	17,185,670	17,662,102	17,173,007	489,095
Employee benefits	26,215,679	26,695,416	25,505,335	1,190,081
Books and supplies	4,876,391	8,794,870	6,448,790	2,346,080
Services and operating expenditures	15,625,581	17,201,615	15,421,210	1,780,405
Capital outlay	2,268,106	6,027,345	5,770,509	256,836
Other outgo	400,866	730,235	2,060	728,175
Debt service:				
Principal	-	-	199,129	(199,129)
Interest	-	-	57,220	(57,220)
Total Expenditures¹	117,321,102	128,691,965	121,700,650	6,991,315
Excess (Deficiency) of Revenues Over Expenditures	(1,489,493)	(5,969,558)	1,282,463	7,252,021
OTHER FINANCING SOURCES (USES)				
Other sources - Proceeds from capital leases	-	-	1,557,324	1,557,324
Transfers out	-	(28,696)	(3,116,872)	(3,088,176)
Net Financing Sources (Uses)	-	(28,696)	(1,559,548)	(1,530,852)
NET CHANGE IN FUND BALANCES	(1,489,493)	(5,998,254)	(277,085)	5,721,169
Fund Balances - Beginning	25,683,185	25,683,185	25,683,185	-
Fund Balances - Ending	\$24,193,692	\$ 19,684,931	\$ 25,406,100	\$ 5,721,169

¹ On behalf payments of \$3,898,235 are included in the final budget and actual revenues and expenditures, but have not been included in the original budgeted amounts.

See accompanying note to required supplementary information.

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

	2018
Total OPEB Liability	
Service cost	\$ 571,767
Interest	285,400
Benefit payments	(185,592)
Net change in total OPEB liability	671,575
Total OPEB liability - beginning	7,970,977
Total OPEB liability - ending	<u>\$ 8,642,552</u>
 Covered payroll	 <u>N/A¹</u>
 District's total OPEB liability as a percentage of covered payroll	 <u>N/A¹</u>

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

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

See accompanying note to required supplementary information.

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.0876%	0.0861%
District's proportionate share of the net pension liability	\$ 81,029,083	\$ 69,602,728
State's proportionate share of the net pension liability associated with the District	47,936,121	39,623,592
Total	\$ 128,965,204	\$ 109,226,320
District's covered-employee payroll	\$ 46,826,113	\$ 44,695,228
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	173.04%	155.73%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.1287%	0.1252%
District's proportionate share of the net pension liability	\$ 30,733,238	\$ 24,717,568
District's covered-employee payroll	\$ 16,513,206	\$ 15,206,474
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	186.11%	162.55%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
<u>0.0866%</u>	<u>0.0770%</u>
\$ 58,327,379	\$ 45,025,240
<u>30,848,754</u>	<u>27,188,184</u>
<u>\$ 89,176,133</u>	<u>\$ 72,213,424</u>
<u>\$ 38,379,865</u>	<u>\$ 35,981,934</u>
<u>151.97%</u>	<u>125.13%</u>
<u>74%</u>	<u>77%</u>
<u>0.1160%</u>	<u>0.1092%</u>
<u>\$ 17,104,524</u>	<u>\$ 12,398,446</u>
<u>\$ 18,542,239</u>	<u>\$ 11,631,574</u>
<u>92.25%</u>	<u>106.59%</u>
<u>79%</u>	<u>83%</u>

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

	<u>2018</u>	<u>2017</u>
CalSTRS		
Contractually required contribution	\$ 7,162,732	\$ 5,890,725
Contributions in relation to the contractually required contribution	<u>7,162,732</u>	<u>5,890,725</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 <u>\$ 49,637,782</u>	 <u>\$ 46,826,113</u>
 Contributions as a percentage of covered-employee payroll	 <u>14.43%</u>	 <u>12.58%</u>
 CalPERS		
Contractually required contribution	\$ 2,768,569	\$ 2,293,354
Contributions in relation to the contractually required contribution	<u>2,768,569</u>	<u>2,293,354</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 <u>\$ 17,826,083</u>	 <u>\$ 16,513,206</u>
 Contributions as a percentage of covered-employee payroll	 <u>15.531%</u>	 <u>13.888%</u>

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

See accompanying note to required supplementary information.

2016	2015
\$ 4,795,798	\$ 3,408,132
<u>4,795,798</u>	<u>3,408,132</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 44,695,228	\$ 38,379,865
<u>10.73%</u>	<u>8.88%</u>
\$ 1,801,511	\$ 2,182,607
<u>1,801,511</u>	<u>2,182,607</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 15,206,474	\$ 18,542,239
<u>11.847%</u>	<u>11.771%</u>

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

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

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

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

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for OPEB.

Changes of Assumptions - The discount rate assumption was changed from 4.50 percent to 3.50 percent since the previous valuation.

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

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

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

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

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 3,542,868
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	14831	35,060
Title II, Part A, Supporting Effective Instruction	84.367	14341	357,895
Title III, English Learner Student Program	84.365	14346	84,924
Special Education Cluster (IDEA):			
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Section 611, Private School ISPs	84.027	10115	17,906
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,859,894
Special Ed: IDEA Mental Health Allocation Plan, Part B, Section 611	84.027A	15197	20,094
Special Ed: IDEA Preschool Local Entitlement, Part B, Section 611	84.027A	13682	141,780
Special Ed: IDEA Preschool Staff Development, Part B, Section 619	84.173A	13431	277
Special Ed: IDEA Preschool Grants, Part B, Section 619	84.173	13430	37,946
Total Special Education Cluster (IDEA):			2,077,897
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	96,576
Total U.S. Department of Education			6,195,220
U.S. Department of Health and Human Services			
Passed through the Riverside County Superintendent of Schools:			
Head Start	93.600	C1006247	1,922,827
Passed through the California Department of Health Care Services:			
Medi-Cal Administrative Activities	93.778	10060	9,272
Total U.S. Department of Health and Human Services			1,932,099
U.S. Department of Agriculture			
Passed through the California Department of Education (CDE):			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	3,353,602
Commodities	10.555	13396	355,906
Meal Supplements	10.555	13396	94,213
Especially Needy Breakfast	10.553	13526	1,533,589
Seamless Summer Food Option	10.555	[1]	73,199
Total Child Nutrition Cluster			5,410,509
National School Lunch Program Equipment Assistance	10.579	14906	5,296
Total U.S. Department of Agriculture			5,415,805
Total Expenditures of Federal Awards			\$ 13,543,124

See accompanying note to supplementary information.

SAN JACINTO UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2018

ORGANIZATION

The San Jacinto Unified School District (the District) was unified on March 29, 1944, and consists of an area comprising approximately 100 square miles. The District operates seven elementary schools, three middle schools, one comprehensive high school, one alternative high school, one adult education school, two Head Start preschools (San Jacinto Elem/Hyatt), one delegate State preschool (De Anza), and one direct State preschool (Hyatt). There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. John I. Norman	Board President	2020
Mr. Willie Hamilton	Board Clerk	2020
Mrs. Trica Ojeda	Board Member	2020
Mrs. Deborah J. Rex	Board Member	2018
Ms. Jasmin Rubio	Board Member	2018

ADMINISTRATION

Mrs. Diane Perez	District Superintendent
Mr. Seth Heeren	Assistant Superintendent of Business Services
Mr. Matthew Hixson	Assistant Superintendent of Personnel
Mrs. Sherry Smith	Assistant Superintendent of Educational Services

See accompanying note to supplementary information.

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

	Final Report	
	Revised Second Period Report *	Revised Annual Report *
Regular ADA		
Transitional kindergarten through third	2,972.26	2,979.45
Fourth through sixth	2,247.04	2,245.12
Seventh and eighth	1,470.28	1,472.53
Ninth through twelfth	2,793.55	2,757.91
Total Regular ADA	9,483.13	9,455.01
Extended Year Special Education		
Transitional kindergarten through third	0.96	0.96
Fourth through sixth	1.07	1.07
Seventh and eighth	1.18	1.18
Ninth through twelfth	3.28	3.28
Total Extended Year Special Education	6.49	6.49
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.50	1.63
Fourth through sixth	6.41	6.48
Seventh and eighth	5.93	5.75
Ninth through twelfth	6.95	6.88
Total Special Education, Nonpublic, Nonsectarian Schools	20.79	20.74
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.35	0.35
Fourth through sixth	0.54	0.54
Seventh and eighth	0.34	0.34
Ninth through twelfth	0.80	0.80
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	2.03	2.03
Total ADA	9,512.44	9,484.27

* The Second Period and Annual Attendance Reports were revised on September 24, 2018.

See accompanying note to supplementary information.

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

Grade Level	1986-87	2017-18	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	36,000	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,900	180	N/A	Complied
Grade 2		54,900	180	N/A	Complied
Grade 3		54,900	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,900	180	N/A	Complied
Grade 5		54,900	180	N/A	Complied
Grade 6		58,260	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		58,260	180	N/A	Complied
Grade 8		58,260	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,988	180	N/A	Complied
Grade 10		64,988	180	N/A	Complied
Grade 11		64,988	180	N/A	Complied
Grade 12		64,988	180	N/A	Complied

See accompanying note to supplementary information.

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>Building Fund</u>
FUND BALANCE	
Balance, June 30, 2018, Unaudited Actuals	\$ 16,907,168
Increase in Accounts payable	(456,222)
Balance, June 30, 2018, Audited Financial Statement	<u>\$ 16,450,946</u>

See accompanying note to supplementary information.

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

	(Budget) 2019 ¹	2018	(as restated) 2017	2016
GENERAL FUND				
Revenues	\$ 128,051,675	\$ 122,983,113	\$ 115,045,187	\$ 107,527,239
Other sources	-	1,557,324	-	-
Total Revenues and Other Sources	128,051,675	124,540,437	115,045,187	107,527,239
Expenditures	131,562,183	121,700,650	112,248,664	103,599,256
Other uses	-	3,116,872	311,209	320,245
Total Expenditures and Other Uses	131,562,183	124,817,522	112,559,873	103,919,501
INCREASE (DECREASE) IN FUND BALANCE	\$ (3,510,508)	\$ (277,085)	\$ 2,485,314	\$ 3,607,738
ENDING FUND BALANCE	\$ 21,895,592	\$ 25,406,100	\$ 25,683,185	\$ 23,197,871
AVAILABLE RESERVES ²	\$ 7,858,591	\$ 7,395,611	\$ 6,752,920	\$ 7,838,634
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	5.97%	5.93%	6.00%	7.54%
LONG-TERM OBLIGATIONS ³	N/A	\$ 125,248,526	\$ 120,172,347	\$ 88,509,221
AVERAGE DAILY ATTENDANCE AT P-2	9,458	9,512	9,382	9,167

The General Fund balance has increased by \$2,208,229 over the past two years. The fiscal year 2018-2019 budget projects a decrease of \$3,510,508 (14 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2018-2019 fiscal year. Total long-term obligations have increased by \$36,739,305 over the past two years.

Average daily attendance has increased by 345 over the past two years. A decrease of 54 ADA is anticipated during fiscal year 2018-2019.

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

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ Long-term obligations have been restated for the year ended June 30, 2017 due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

SAN JACINTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2018

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
San Jacinto Valley Academy (0129)	No

See accompanying note to supplementary information.

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
ASSETS					
Deposits and investments	\$ 220,009	\$ 26,061	\$ 1,448,076	\$ 288,668	\$ 1,262,374
Receivables	1,174	146,389	852,768	1,352	221,148
Due from other funds	-	-	123,060	600,000	3,500,871
Stores inventories	-	-	124,909	-	-
Total Assets	<u>\$ 221,183</u>	<u>\$ 172,450</u>	<u>\$ 2,548,813</u>	<u>\$ 890,020</u>	<u>\$ 4,984,393</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 12,124	\$ 18,104	\$ 115,347	\$ 8,670	\$ 20,095
Due to other funds	16,921	129,766	664,142	-	556,619
Unearned revenue	-	14,922	114,294	-	-
Total Liabilities	<u>29,045</u>	<u>162,792</u>	<u>893,783</u>	<u>8,670</u>	<u>576,714</u>
Fund Balances:					
Nonspendable	-	-	125,109	-	-
Restricted	192,138	9,658	1,529,921	-	4,407,679
Committed	-	-	-	881,350	-
Total Fund Balances	<u>192,138</u>	<u>9,658</u>	<u>1,655,030</u>	<u>881,350</u>	<u>4,407,679</u>
Total Liabilities and Fund Balances	<u>\$ 221,183</u>	<u>\$ 172,450</u>	<u>\$ 2,548,813</u>	<u>\$ 890,020</u>	<u>\$ 4,984,393</u>

See accompanying note to supplementary information.

County School Facilities Fund	COP Capital Projects Fund	CFD Capital Projects Fund	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
\$ 1,623,038	\$ 4,470,556	\$ 1,407,858	\$ 4,551,782	\$ 2,881,470	\$ 18,179,892
6,920	-	-	-	-	1,229,751
846,973	-	-	-	-	5,070,904
-	-	-	-	-	124,909
<u>\$ 2,476,931</u>	<u>\$ 4,470,556</u>	<u>\$ 1,407,858</u>	<u>\$ 4,551,782</u>	<u>\$ 2,881,470</u>	<u>\$ 24,605,456</u>
\$ 235,591	\$ -	\$ -	\$ -	\$ -	\$ 409,931
803,316	-	-	-	-	2,170,764
-	-	-	-	-	129,216
<u>1,038,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,709,911</u>
-	-	-	-	-	125,109
1,438,024	4,470,556	1,407,858	4,551,782	2,881,470	20,889,086
-	-	-	-	-	881,350
<u>1,438,024</u>	<u>4,470,556</u>	<u>1,407,858</u>	<u>4,551,782</u>	<u>2,881,470</u>	<u>21,895,545</u>
<u>\$ 2,476,931</u>	<u>\$ 4,470,556</u>	<u>\$ 1,407,858</u>	<u>\$ 4,551,782</u>	<u>\$ 2,881,470</u>	<u>\$ 24,605,456</u>

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES					
Local Control Funding Formula	\$ -	\$ -	\$ -	\$ 600,000	\$ -
Federal sources	-	-	5,415,805	-	-
Other State sources	391,785	220,901	435,844	-	-
Other local sources	3,685	465,628	236,849	6,661	326,981
Total Revenues	395,470	686,529	6,088,498	606,661	326,981
EXPENDITURES					
Current					
Instruction	248,637	471,964	-	-	-
Instruction related activities:					
Supervision of instruction	-	5	-	-	-
School site administration	59,126	116,646	-	-	-
Pupil services:					
Food services	-	6,029	5,451,009	-	-
All other pupil services	68,101	27,418	-	-	-
General administration:					
All other general administration	24,059	37,497	162,542	-	96,945
Plant services	33,951	25,853	141,447	675,342	-
Facility acquisition and construction	-	-	-	19,112	839,027
Debt service:					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total Expenditures	433,874	685,412	5,754,998	694,454	935,972
Excess (Deficiency) of Revenues Over Expenditures	(38,404)	1,117	333,500	(87,793)	(608,991)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	32,967	-	3,716,282
Other sources - proceeds from issuance of Community Facilities District bonds	-	-	-	-	-
Other sources - proceeds from issuance of Certificates of Participation	-	-	-	-	-
Other uses - refunding of Community Facilities District bonds	-	-	-	-	-
Transfers out	-	-	-	-	-
Net Financing Sources (Uses)	-	-	32,967	-	3,716,282
NET CHANGE IN FUND BALANCES	(38,404)	1,117	366,467	(87,793)	3,107,291
Fund Balances - Beginning	230,542	8,541	1,288,563	969,143	1,300,388
Fund Balances - Ending	\$ 192,138	\$ 9,658	\$ 1,655,030	\$ 881,350	\$ 4,407,679

See accompanying note to supplementary information.

County School Facilities Fund	COP Capital Projects Fund	CFD Capital Projects Fund	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 600,000
-	-	-	-	-	5,415,805
-	-	-	55,964	-	1,104,494
484,504	27,200	11,046	4,549,793	2,562,992	8,675,339
484,504	27,200	11,046	4,605,757	2,562,992	15,795,638
-	-	-	-	-	720,601
-	-	-	-	-	5
-	-	-	-	-	175,772
-	-	-	-	-	5,457,038
-	-	-	-	-	95,519
-	-	-	-	-	321,043
-	-	414,397	-	-	1,290,990
641	-	-	-	-	858,780
-	-	-	854,287	895,000	1,749,287
-	281,360	-	3,318,456	2,044,535	5,644,351
641	281,360	414,397	4,172,743	2,939,535	16,313,386
483,863	(254,160)	(403,351)	433,014	(376,543)	(517,748)
-	-	-	-	386,350	4,135,599
-	-	15,793,670	-	-	15,793,670
-	5,281,335	-	-	-	5,281,335
-	-	(14,777,421)	-	-	(14,777,421)
(462,108)	(556,619)	-	-	-	(1,018,727)
(462,108)	4,724,716	1,016,249	-	386,350	9,414,456
21,755	4,470,556	612,898	433,014	9,807	8,896,708
1,416,269	-	794,960	4,118,768	2,871,663	12,998,837
\$ 1,438,024	\$ 4,470,556	\$ 1,407,858	\$ 4,551,782	\$ 2,881,470	\$ 21,895,545

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Administrative Activities funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2018. These unspent balances are reported as legally restricted ending balances within the General Fund. In addition, Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program funds that in the previous period was recorded as revenue but were unspent. These unspent balances have been expended in the current period.

Description	CFDA	
	Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 13,552,777
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	31,478
Medi-Cal Administrative Activities	93.778	(41,131)
Total Schedule of Expenditures of Federal Awards		<u>\$ 13,543,124</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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's audit.

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

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

INDEPENDENT AUDITOR'S REPORTS



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

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

Governing Board
San Jacinto Unified School District
San Jacinto, 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, each major fund, and the aggregate remaining fund information of San Jacinto Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2018.

Emphasis of Matter - Change in Accounting Principles

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Vannich, Tuma, Day & Co, LLP

Rancho Cucamonga, California
December 4, 2018



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

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

Governing Board
San Jacinto Unified School District
San Jacinto, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the 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 the 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 the District's internal control over compliance.

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

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

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



Rancho Cucamonga, California
December 4, 2018



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

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
San Jacinto Unified School District
San Jacinto, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

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

Unmodified Opinion

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

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

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

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

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

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

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

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

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

The Charter School is independent of the District; therefore, we did not perform any procedures related to the charter school.

Vaughan, Tuma, Day & Co, LLP

Rancho Cucamonga, California
December 4, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>
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Identification of major Federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Title I, Part A, Basic Grants
<u>84.010</u>	<u>Low-Income and Neglected</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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SAN JACINTO UNIFIED SCHOOL DISTRICT

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

None reported.

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

None reported.

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

None reported.

SAN JACINTO UNIFIED SCHOOL DISTRICT

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

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.