

# **SOUTH PASADENA UNIFIED SCHOOL DISTRICT**

## **AUDIT REPORT**

**JUNE 30, 2016**

**San Diego**

**Los Angeles**

**San Francisco  
Bay Area**

**christywhite**  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

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

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**FINANCIAL SECTION**

Independent Auditors' Report .....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position .....	12
Statement of Activities .....	13
Fund Financial Statements	
Governmental Funds – Balance Sheet.....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	15
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances.....	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	18
Proprietary Funds – Statement of Net Position .....	20
Proprietary Funds – Statement of Revenues, Expenses, and Changes in Net Position.....	21
Proprietary Funds – Statement of Cash Flows.....	22
Fiduciary Funds – Statement of Net Position.....	23
Notes to Financial Statements .....	24

**REQUIRED SUPPLEMENTARY INFORMATION**

General Fund – Budgetary Comparison Schedule .....	60
Schedule of Funding Progress .....	61
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS .....	62
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS.....	63
Schedule of District Contributions - CalSTRS .....	64
Schedule of District Contributions - CalPERS.....	65
Notes to Required Supplementary Information.....	66

**SUPPLEMENTARY INFORMATION**

Schedule of Expenditures of Federal Awards .....	68
Schedule of Average Daily Attendance (ADA).....	69
Schedule of Instructional Time .....	70
Schedule of Financial Trends and Analysis .....	71
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	72
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet.....	73
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	74
Local Education Agency Organization Structure .....	75
Notes to Supplementary Information.....	76

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

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**OTHER INDEPENDENT AUDITORS' REPORTS**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	77
Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance.....	79
Report on State Compliance.....	81

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Summary of Auditors' Results .....	84
Financial Statement Findings.....	85
Federal Award Findings and Questioned Costs .....	86
State Award Findings and Questioned Costs.....	87
Summary Schedule of Prior Audit Findings .....	89

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## FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
South Pasadena Unified School District  
South Pasadena, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the South Pasadena Unified School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the South Pasadena Unified School District's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South Pasadena Educational Foundation, which represent the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the South Pasadena Educational Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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

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

### ***Opinions***

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

### ***Other Matters***

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

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

### *Supplementary Information*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016 on our consideration of South Pasadena Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Pasadena Unified School District's internal control over financial reporting and compliance.



San Diego, California  
November 22, 2016

# **SOUTH PASADENA UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **INTRODUCTION**

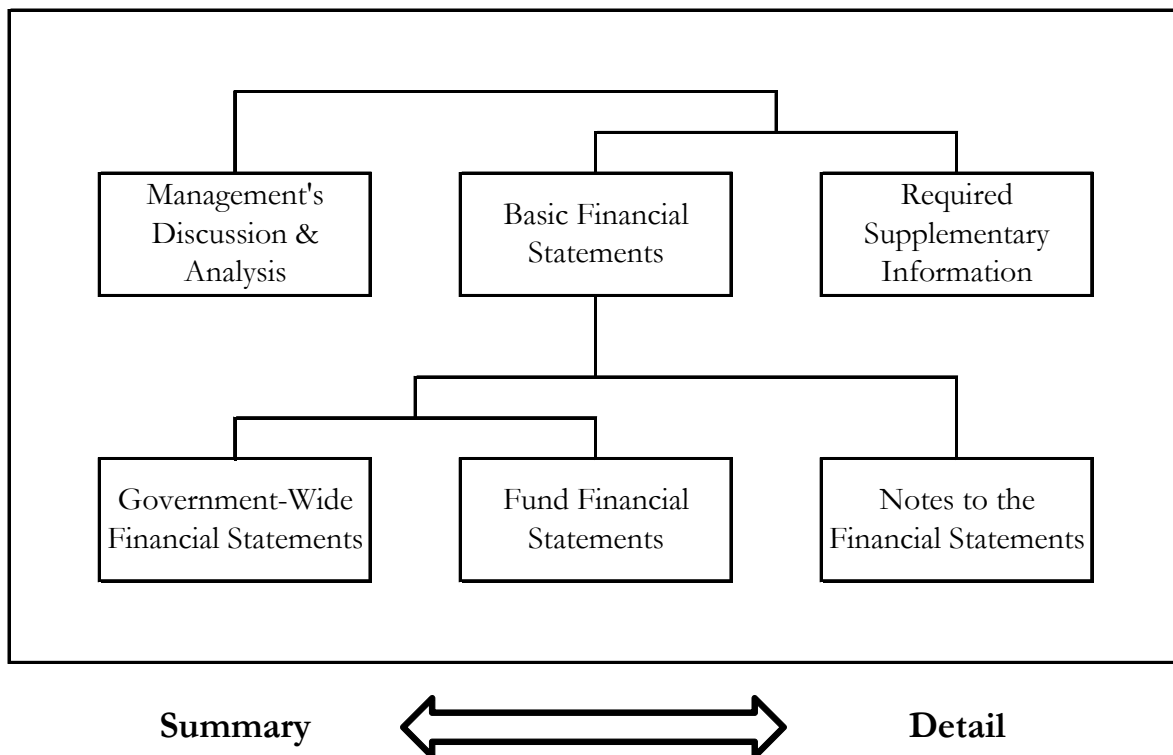
Our discussion and analysis of South Pasadena Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

## **FINANCIAL HIGHLIGHTS**

- Total net position was \$1,583,768 at June 30, 2016. This was a decrease of \$1,504,023 from the prior year net position.
- Overall revenues were \$57,722,013 which were less than expenses of \$59,226,036.

## **OVERVIEW OF FINANCIAL STATEMENTS**

### **Components of the Financials Section**





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

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

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

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

**Government-Wide Statements**

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

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

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

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

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The District's combined net position was \$1,583,768 at June 30, 2016, as reflected in the table below. Of this amount, (\$52,107,038) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
<b>ASSETS</b>						
Current and other assets	\$ 24,753,439	\$ 23,578,170	\$ 1,175,269	\$ 310,100	\$ 504,058	\$ (193,958)
Capital assets	76,572,361	78,125,467	(1,553,106)	-	-	-
<b>Total Assets</b>	<b>101,325,800</b>	<b>101,703,637</b>	<b>(377,837)</b>	<b>310,100</b>	<b>504,058</b>	<b>(193,958)</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>4,761,355</b>	<b>4,023,640</b>	<b>737,715</b>	<b>164,454</b>	<b>-</b>	<b>164,454</b>
<b>LIABILITIES</b>						
Current liabilities	6,582,022	6,190,221	391,801	111,252	115,974	(4,722)
Long-term liabilities	92,365,580	88,366,641	3,998,939	1,175,034	-	1,175,034
<b>Total Liabilities</b>	<b>98,947,602</b>	<b>94,556,862</b>	<b>4,390,740</b>	<b>1,286,286</b>	<b>115,974</b>	<b>1,170,312</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>4,570,738</b>	<b>8,470,708</b>	<b>(3,899,970)</b>	<b>173,315</b>	<b>-</b>	<b>173,315</b>
<b>NET POSITION</b>						
Net investment in capital assets	40,009,354	38,505,761	1,503,593	-	-	-
Restricted	13,681,452	11,632,386	2,049,066	-	-	-
Unrestricted	(51,121,991)	(47,438,440)	(3,683,551)	(985,047)	388,084	(1,373,131)
<b>Total Net Position</b>	<b>\$ 2,568,815</b>	<b>\$ 2,699,707</b>	<b>\$ (130,892)</b>	<b>\$ (985,047)</b>	<b>\$ 388,084</b>	<b>\$ (1,373,131)</b>

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

**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position**

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

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 1,444,776	\$ 1,330,867	\$ 113,909	\$ 1,515,468	\$ 1,484,570	\$ 30,898
Operating grants and contributions	7,169,067	7,036,455	132,612	-	-	-
Capital grants and contributions	24,392	26,007	(1,615)	-	-	-
General revenues						
Property taxes	15,473,482	13,563,950	1,909,532	-	-	-
Unrestricted federal and state aid	31,153,021	26,822,251	4,330,770	-	-	-
Other	938,991	1,326,566	(387,575)	2,816	3,987	(1,171)
<b>Total Revenues</b>	<b>56,203,729</b>	<b>50,106,096</b>	<b>6,097,633</b>	<b>1,518,284</b>	<b>1,488,557</b>	<b>29,727</b>
<b>EXPENSES</b>						
Instruction	34,393,429	30,550,643	3,842,786	-	-	-
Instruction-related services	5,714,868	4,858,996	855,872	-	-	-
Pupil services	4,982,146	4,266,757	715,389	-	-	-
General administration	2,990,644	2,811,262	179,382	-	-	-
Plant services	5,954,382	4,701,044	1,253,338	-	-	-
Ancillary and community services	533,891	498,487	35,404	-	-	-
Debt service	2,568,624	2,623,340	(54,716)	-	-	-
Other Outgo	224,622	256,543	(31,921)	-	-	-
Other	2,408	(3,869)	6,277	1,861,022	1,668,149	192,873
<b>Total Expenses</b>	<b>57,365,014</b>	<b>50,563,203</b>	<b>6,801,811</b>	<b>1,861,022</b>	<b>1,668,149</b>	<b>192,873</b>
<b>Change in net position</b>	<b>(1,161,285)</b>	<b>(457,107)</b>	<b>(704,178)</b>	<b>(342,738)</b>	<b>(179,592)</b>	<b>(163,146)</b>
<b>Net Position - Beginning, as restated*</b>	<b>3,730,100</b>	<b>3,156,814</b>	<b>573,286</b>	<b>(642,309)</b>	<b>567,676</b>	<b>(1,209,985)</b>
<b>Net Position - Ending</b>	<b>\$ 2,568,815</b>	<b>\$ 2,699,707</b>	<b>\$ (130,892)</b>	<b>\$ (985,047)</b>	<b>\$ 388,084</b>	<b>\$ (1,373,131)</b>

\* Beginning Net Position was restated for the 2016 and 2015 years

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

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position (continued)**

The cost of all our governmental activities this year was \$57,365,014. The amount that our taxpayers ultimately financed for these activities through taxes was only \$15,473,482 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$38,346,480).

	<b>Net Cost of Services</b>	
	<b>2016</b>	<b>2015</b>
Instruction	\$ 29,766,275	\$ 26,563,540
Instruction-related services	5,347,660	4,423,273
Pupil services	2,709,011	2,289,355
General administration	2,876,302	2,708,769
Plant services	5,759,166	4,302,916
Ancillary and community services	526,024	488,950
Debt service	2,568,624	2,623,340
Transfers to other agencies	(828,691)	(1,226,400)
Other	2,408	(3,869)
<b>Total Expenses</b>	<b>\$ 48,726,779</b>	<b>\$ 42,169,874</b>

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

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**FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$20,119,554, which is more than last year's ending fund balance of \$19,549,981. The District's General Fund had \$954,916 more in operating revenues than expenditures for the year ended June 30, 2016. The District's County School Facilities Fund had \$442,922 less in operating revenues than expenditures for the year ended June 30, 2016. The District's Special Reserve Fund for Capital Outlay Projects had \$88,897 more in operating revenues than expenditures for the year ended June 30, 2016. The District's Bond Interest and Redemption Fund had \$129,077 more in operating revenues than expenditures for the year ended June 30, 2016.

**CURRENT YEAR BUDGET 2015-16**

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2015-16 the District had invested \$76,572,361 in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 6,138,461	\$ 6,138,461	\$ -
Construction in progress	382,763	216,743	166,020
Land improvements	5,688,566	5,379,698	308,868
Buildings & improvements	91,541,913	91,196,008	345,905
Furniture & equipment	1,130,227	1,015,276	114,951
Accumulated depreciation	(28,309,569)	(25,820,719)	(2,488,850)
<b>Total Capital Assets</b>	<b>\$ 76,572,361</b>	<b>\$ 78,125,467</b>	<b>\$ (1,553,106)</b>

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

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Long-Term Liabilities**

At year-end, the District had \$93,540,614 in long-term liabilities, an increase of 5.9% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
<b>LONG-TERM LIABILITIES</b>						
Total general obligation bonds	\$ 52,701,866	\$ 54,241,269	\$ (1,539,403)	\$ -	\$ -	\$ -
Supplemental retirement plan	403,713	807,426	(403,713)	-	-	-
Compensated absences	279,904	289,423	(9,519)	-	-	-
Net OPEB obligation	3,758,013	3,385,474	372,539	-	-	-
Net pension liability	37,740,292	32,056,967	5,683,325	1,175,034	-	1,175,034
Less: current portion of long-term debt	(2,518,208)	(2,413,918)	(104,290)	-	-	-
<b>Total Long-term Liabilities</b>	<b>\$ 92,365,580</b>	<b>\$ 88,366,641</b>	<b>\$ 3,998,939</b>	<b>\$ 1,175,034</b>	<b>\$ -</b>	<b>\$ 1,175,034</b>

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

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

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

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21 but the annual amount funded to meet the target is uncertain.

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

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

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2016. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2016-17 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Business Office at (626) 441-5810, ext. 1110.

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	Governmental Activities	Business-Type Activities	Total	Discretely Presented Component Unit
<b>ASSETS</b>				
Cash and investments	\$ 23,072,957	\$ 304,305	\$ 23,377,262	\$ 1,085,297
Accounts receivable	1,665,264	1,095	1,666,359	76,520
Inventory	15,218	-	15,218	-
Prepaid expenses	-	4,700	4,700	1,500
Capital assets, not depreciated	6,521,224	-	6,521,224	-
Capital assets, net of accumulated depreciation	70,051,137	-	70,051,137	-
<b>Total Assets</b>	<b>101,325,800</b>	<b>310,100</b>	<b>101,635,900</b>	<b>1,163,317</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	3,714,859	164,454	3,879,313	-
Deferred amount on refunding	1,046,496	-	1,046,496	-
<b>Total Deferred Outflows of Resources</b>	<b>4,761,355</b>	<b>164,454</b>	<b>4,925,809</b>	<b>-</b>
<b>LIABILITIES</b>				
Accrued liabilities	3,714,429	111,252	3,825,681	616,071
Unearned revenue	349,385	-	349,385	-
Long-term liabilities, current portion	2,518,208	-	2,518,208	-
Long-term liabilities, non-current portion	92,365,580	1,175,034	93,540,614	-
<b>Total Liabilities</b>	<b>98,947,602</b>	<b>1,286,286</b>	<b>100,233,888</b>	<b>616,071</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	4,570,738	173,315	4,744,053	-
<b>Total Deferred Inflows of Resources</b>	<b>4,570,738</b>	<b>173,315</b>	<b>4,744,053</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	40,009,354	-	40,009,354	-
Restricted:				
Capital projects	6,843,344	-	6,843,344	-
Debt service	3,272,152	-	3,272,152	-
Educational programs	3,042,751	-	3,042,751	-
All others	523,205	-	523,205	-
Unrestricted	(51,121,991)	(985,047)	(52,107,038)	547,246
<b>Total Net Position</b>	<b>\$ 2,568,815</b>	<b>\$ (985,047)</b>	<b>\$ 1,583,768</b>	<b>\$ 547,246</b>

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



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

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Discretely Presented Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 34,393,429	\$ 217,495	\$ 4,385,267	\$ 24,392	\$ (29,766,275)			
Instruction-related services								
Instructional supervision and administration	1,254,683	22,329	339,341	-	(893,013)			
Instructional library, media, and technology	1,249,562	-	-	-	(1,249,562)			
School site administration	3,210,623	382	5,156	-	(3,205,085)			
Pupil services								
Home-to-school transportation	312,669	415	4,287	-	(307,967)			
Food services	1,655,764	1,023,527	511,344	-	(120,893)			
All other pupil services	3,013,713	30,977	702,585	-	(2,280,151)			
General administration								
Centralized data processing	54,095	-	-	-	(54,095)			
All other general administration	2,936,549	48,011	66,331	-	(2,822,207)			
Plant services	5,954,382	4,433	190,783	-	(5,759,166)			
Ancillary services	499,322	-	-	-	(499,322)			
Community services	34,569	730	7,137	-	(26,702)			
Enterprise activities	2,408	-	-	-	(2,408)			
Interest on long-term debt	2,568,624	-	-	-	(2,568,624)			
Other Outgo	224,622	96,477	956,836	-	828,691			
Total Governmental Activities	\$ 57,365,014	\$ 1,444,776	\$ 7,169,067	\$ 24,392	(48,726,779)			
BUSINESS-TYPE ACTIVITIES								
Enterprise activities	1,861,022	1,515,468	-	-		\$ (345,554)		
Total Business-Type Activities	1,861,022	1,515,468	-	-		(345,554)		
Total School District	\$ 59,226,036	\$ 2,960,244	\$ 7,169,067	\$ 24,392			\$ (49,072,333)	
DISCRETELY PRESENTED COMPONENT UNIT								
Summer school program	\$ 793,304	\$ 1,212,498	\$ -	\$ -				\$ 419,194
Grant to district	774,342	-	335,923	-				(438,419)
Administration	90,294	-	-	-				(90,294)
Fundraising	125,606	-	-	-				(125,606)
Total	\$ 1,783,546	\$ 1,212,498	\$ 335,923	\$ -				(235,125)
General revenues								
Taxes and subventions								
Property taxes, levied for general purposes					9,036,112	-	9,036,112	-
Property taxes, levied for debt service					4,095,493	-	4,095,493	-
Property taxes, levied for other specific purposes					2,341,877	-	2,341,877	-
Federal and state aid not restricted for specific purposes					31,153,021	-	31,153,021	-
Interest and investment earnings					87,630	2,816	90,446	1,515
Miscellaneous					851,361	-	851,361	166,932
Subtotal, General Revenue					47,565,494	2,816	47,568,310	168,447
CHANGE IN NET POSITION								
					(1,161,285)	(342,738)	(1,504,023)	(66,678)
Net Position - Beginning, as Restated					3,730,100	(642,309)	3,087,791	613,924
Net Position - Ending					\$ 2,568,815	\$ (985,047)	\$ 1,583,768	\$ 547,246

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

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

	General Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 8,997,045	\$ 3,819,547	\$ 2,698,634	\$ 3,868,875	\$ 2,524,804	\$ 21,908,905
Accounts receivable	1,561,358	9,198	8,077	-	83,889	1,662,522
Stores inventory	-	-	-	-	15,218	15,218
<b>Total Assets</b>	<b>\$ 10,558,403</b>	<b>\$ 3,828,745</b>	<b>\$ 2,706,711</b>	<b>\$ 3,868,875</b>	<b>\$ 2,623,911</b>	<b>\$ 23,586,645</b>
<b>LIABILITIES</b>						
Accrued liabilities	\$ 3,020,894	\$ 34,465	\$ 5,077	\$ -	\$ 57,270	\$ 3,117,706
Unearned revenue	269,779	-	-	-	79,606	349,385
<b>Total Liabilities</b>	<b>3,290,673</b>	<b>34,465</b>	<b>5,077</b>	<b>-</b>	<b>136,876</b>	<b>3,467,091</b>
<b>FUND BALANCES</b>						
Nonspendable	15,250	-	-	-	15,663	30,913
Restricted	3,042,751	3,794,280	2,701,634	3,868,875	870,635	14,278,175
Committed	-	-	-	-	1,600,737	1,600,737
Assigned	640,000	-	-	-	-	640,000
Unassigned	3,569,729	-	-	-	-	3,569,729
<b>Total Fund Balances</b>	<b>7,267,730</b>	<b>3,794,280</b>	<b>2,701,634</b>	<b>3,868,875</b>	<b>2,487,035</b>	<b>20,119,554</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,558,403</b>	<b>\$ 3,828,745</b>	<b>\$ 2,706,711</b>	<b>\$ 3,868,875</b>	<b>\$ 2,623,911</b>	<b>\$ 23,586,645</b>

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

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT**  
**OF NET POSITION**  
**JUNE 30, 2016**

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<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 20,119,554</b>
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Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

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

Capital assets	\$ 104,881,930	
Accumulated depreciation	<u>(28,309,569)</u>	76,572,361

Deferred amount on refunding:

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

1,046,496

Unmatured interest on long-term debt:

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

(596,723)

Long-term liabilities:

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

Total general obligation bonds	\$ 52,701,866	
Supplemental retirement plan	403,713	
Compensated absences	279,904	
Net pension liability	<u>37,740,292</u>	(91,125,775)

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT**  
**OF NET POSITION, continued**  
**JUNE 30, 2016**

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Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$	3,714,859	
Deferred inflows of resources related to pensions		<u>(4,570,738)</u>	(855,879)

Internal service funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

(2,591,219)

**Total Net Position - Governmental Activities**

<b>\$</b>	<b>2,568,815</b>
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**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
LCFF sources	\$ 35,108,183	\$ -	\$ -	\$ -	\$ 200,000	\$ 35,308,183
Federal sources	1,218,601	-	-	-	571,620	1,790,221
Other state sources	6,091,912	-	-	25,972	33,315	6,151,199
Other local sources	7,176,707	24,392	635,068	4,096,523	1,214,965	13,147,655
<b>Total Revenues</b>	<b>49,595,403</b>	<b>24,392</b>	<b>635,068</b>	<b>4,122,495</b>	<b>2,019,900</b>	<b>56,397,258</b>
<b>EXPENDITURES</b>						
Current						
Instruction	32,133,686	-	-	-	-	32,133,686
Instruction-related services						
Instructional supervision and administration	1,141,916	-	-	-	-	1,141,916
Instructional library, media, and technology	1,092,128	-	-	-	-	1,092,128
School site administration	2,910,051	-	-	-	-	2,910,051
Pupil services						
Home-to-school transportation	302,194	-	-	-	-	302,194
Food services	-	-	-	-	1,580,309	1,580,309
All other pupil services	2,741,878	-	-	-	-	2,741,878
General administration						
Centralized data processing	51,672	-	-	-	-	51,672
All other general administration	2,584,108	-	-	-	69,401	2,653,509
Plant services	4,663,697	1,500	3,397	-	78,453	4,747,047
Facilities acquisition and maintenance	244,453	465,814	542,774	-	352,132	1,605,173
Ancillary services	468,306	-	-	-	-	468,306
Community services	31,443	-	-	-	-	31,443
Transfers to other agencies	272,547	-	-	-	-	272,547
Debt service						
Principal	-	-	-	1,875,070	-	1,875,070
Interest and other	-	-	-	2,118,348	-	2,118,348
<b>Total Expenditures</b>	<b>48,640,487</b>	<b>467,314</b>	<b>546,171</b>	<b>3,993,418</b>	<b>2,080,295</b>	<b>55,727,685</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>954,916</b>	<b>(442,922)</b>	<b>88,897</b>	<b>129,077</b>	<b>(60,395)</b>	<b>669,573</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	1,000,000	-	-	-	1,000,000
Transfers out	(1,100,000)	-	-	-	-	(1,100,000)
<b>Net Financing Sources (Uses)</b>	<b>(1,100,000)</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100,000)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(145,084)</b>	<b>557,078</b>	<b>88,897</b>	<b>129,077</b>	<b>(60,395)</b>	<b>569,573</b>
<b>Fund Balance - Beginning</b>	<b>7,412,814</b>	<b>3,237,202</b>	<b>2,612,737</b>	<b>3,739,798</b>	<b>2,547,430</b>	<b>19,549,981</b>
<b>Fund Balance - Ending</b>	<b>\$ 7,267,730</b>	<b>\$ 3,794,280</b>	<b>\$ 2,701,634</b>	<b>\$ 3,868,875</b>	<b>\$ 2,487,035</b>	<b>\$ 20,119,554</b>

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

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

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**Net Change in Fund Balances - Governmental Funds** \$ 569,573

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

**Capital outlay:**

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

Expenditures for capital outlay:	\$ 935,744	
Depreciation expense:	<u>(2,488,850)</u>	(1,553,106)

**Debt service:**

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

3,053,315

**Deferred amounts on refunding:**

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

(87,208)

**Unmatured interest on long-term debt:**

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

20,524

**Accreted interest on long-term debt:**

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(1,649,045)

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

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

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Compensated absences:

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

9,519

Other expenditures relating to prior periods:

Certain expenditures recognized in governmental funds relate to prior periods. Typical examples are payments on structured legal settlements or retirement incentives paid over time. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations were first incurred, so they must not be recognized again in the current period. Expenditures relating to prior periods (describe below) were:

403,713

Pensions:

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

(1,988,825)

Amortization of debt issuance premium or discount:

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

135,133

Internal Service Funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:

(74,878)

**Change in Net Position of Governmental Activities**

<b>\$</b>	<b>(1,161,285)</b>
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The accompanying notes are an integral part of these financial statements.

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

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	Business-Type Activities Child Care Enterprise Fund	Governmental Activities Internal Service Fund
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 304,305	\$ 1,164,052
Accounts receivable	1,095	2,742
Prepaid expenses	4,700	-
<b>Total Assets</b>	<b>310,100</b>	<b>1,166,794</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions	164,454	-
<b>Total Deferred Outflows of Resources</b>	<b>164,454</b>	<b>-</b>
<b>LIABILITIES</b>		
Current liabilities		
Accrued liabilities	111,252	-
Total current liabilities	111,252	-
Non-current liabilities	1,175,034	3,758,013
<b>Total Liabilities</b>	<b>1,286,286</b>	<b>3,758,013</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	173,315	-
<b>Total Deferred Inflows of Resources</b>	<b>173,315</b>	<b>-</b>
<b>NET POSITION</b>		
Unrestricted	(985,047)	(2,591,219)
<b>Total Net Position</b>	<b>\$ (985,047)</b>	<b>\$ (2,591,219)</b>

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



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

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	Business-Type Activities Child Care Enterprise Fund	Governmental Activities Internal Service Fund
<b>OPERATING REVENUE</b>		
Charges for services	\$ 1,515,227	\$ 485,782
Other local revenues	240	-
<b>Total operating revenues</b>	<b>1,515,467</b>	<b>485,782</b>
<b>OPERATING EXPENSE</b>		
Salaries and benefits	1,693,648	-
Supplies and materials	85,985	-
Professional services	81,389	667,524
<b>Total operating expenses</b>	<b>1,861,022</b>	<b>667,524</b>
<b>Operating income/(loss)</b>	<b>(345,555)</b>	<b>(181,742)</b>
<b>NON-OPERATING REVENUES/(EXPENSES)</b>		
Interest income	2,817	6,864
Transfers in	-	100,000
<b>Total non-operating revenues/(expenses)</b>	<b>2,817</b>	<b>106,864</b>
<b>CHANGE IN NET POSITION</b>	<b>(342,738)</b>	<b>(74,878)</b>
<b>Net Position - Beginning, as restated</b>	<b>(642,309)</b>	<b>(2,516,341)</b>
<b>Net Position - Ending</b>	<b>\$ (985,047)</b>	<b>\$ (2,591,219)</b>

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

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

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Child Care Enterprise Fund</b>	<b>Internal Service Fund</b>
<b>Cash flows from operating activities</b>		
Cash received from user charges	\$ 1,513,348	\$ -
Cash received (paid) from assessments made to (from) other funds	-	485,109
Cash payments for payroll, insurance, and operating costs	(1,712,242)	(294,985)
Net cash provided by (used for) operating activities	(198,894)	190,124
<b>Cash flows from non-capital financing activities</b>		
Interfund transfers in (out)	-	100,000
Net cash provided by (used for) non-capital financing activities	-	100,000
<b>Cash flows from investing activities</b>		
Interest received	2,817	6,864
Net cash provided by (used for) investing activities	2,817	6,864
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(196,077)</b>	<b>296,988</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	500,382	867,064
End of year	\$ 304,305	\$ 1,164,052
<b>Reconciliation of operating income (loss) to cash provided by (used for) operating activities</b>		
Operating income (loss)	\$ (345,555)	\$ (181,742)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	861	(673)
(Increase) decrease in prepaid expenses	(2,980)	-
(Increase) decrease in deferred outflows of resources	(53,949)	-
Increase (decrease) in accounts payable	(4,722)	-
Increase (decrease) in deferred inflows of resources	(115,326)	-
Increase (decrease) in net OPEB obligation	-	372,539
Increase (decrease) in net pension liability	322,777	-
<b>Net cash provided by (used for) operating activities</b>	<b>\$ (198,894)</b>	<b>\$ 190,124</b>

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

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

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	Agency Funds	
	Warrant/Pass- through Fund	Student Body Fund
<b>ASSETS</b>		
Cash and investments	\$ 302,221	\$ 1,224,747
<b>Total Assets</b>	<b>\$ 302,221</b>	<b>\$ 1,224,747</b>
<b>LIABILITIES</b>		
Accrued liabilities	\$ 302,221	\$ -
Due to student groups	-	1,224,747
<b>Total Liabilities</b>	<b>\$ 302,221</b>	<b>\$ 1,224,747</b>

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

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The South Pasadena Unified School District (the “District”), established in 1886, is located in a three square mile area between the cities of Los Angeles, San Marino, Alhambra and Pasadena in Los Angeles County, 10 miles northeast of the City of Los Angeles. The boundaries of the District are coterminous with the boundaries of the City of South Pasadena (the “City”). The District operates three elementary schools, one middle school, one high school, a district office and a maintenance office. A fourth elementary school site is presently leased to the Institute for the Redesign of Learning.

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

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

**B. Component Units**

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

The South Pasadena Educational Foundation (the “component unit”), although a legally separate tax exempt entity, is reported in the financial statements using the discrete presentation method as the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, the District is entitled to, or has the ability to otherwise access, a majority of the economic resources received or help by the separate organization, and the economic resources received or held by an individual organization that the District is entitled to, or has the ability to otherwise access, are significant to the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

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

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

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

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

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

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

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

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Major Governmental Funds

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

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

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

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

Non-Major Governmental Funds

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

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

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

SOUTH PASADENA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2016

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

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

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

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

Proprietary Funds

**Enterprise Funds:** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

**Other Enterprise Fund:** This fund may be used to account for other business activities. The District maintains the childcare and preschool program in this fund.

**Internal Service Funds:** Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

**Self-Insurance Fund:** Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section 17566*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fiduciary Funds

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

**Warrant/Pass-Through Fund:** This fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, transfers to credit unions, and other contributions.

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

D. Basis of Accounting – Measurement Focus

**Government-Wide, Proprietary, and Fiduciary Financial Statements**

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

**Governmental Funds**

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



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

**D. Basis of Accounting – Measurement Focus (continued)**

**Revenues – Exchange and Non-Exchange Transactions**

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

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

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

**Unearned Revenue**

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

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

**Expenses/Expenditures**

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

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

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**Cash and Cash Equivalents**

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

**Investments**

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

**Inventories**

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

**Capital Assets**

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

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**Compensated Absences**

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

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

**Accrued Liabilities and Long-Term Obligations**

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

**Premiums and Discounts**

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

**Deferred Outflows/Deferred Inflows of Resources**

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**Pensions**

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

**Fund Balance**

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

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

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

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

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

SOUTH PASADENA UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2016

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

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

**Fund Balance** (*continued*)

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

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

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

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

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

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Property Tax

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

J. New Accounting Pronouncements

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

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

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

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

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 2 – CASH AND INVESTMENTS**

**A. Summary of Cash and Investments**

	Governmental	Internal Service	Total Governmental	Business-Type	Fiduciary
	Funds	Funds	Activities	Activities	Funds
Investment in county treasury	\$ 21,808,928	\$ 1,164,052	\$ 22,972,980	\$ 304,305	\$ 302,221
Cash on hand and in banks	84,282	-	84,282	-	1,224,747
Cash in revolving fund	15,695	-	15,695	-	-
<b>Total cash and investments</b>	<b>\$ 21,908,905</b>	<b>\$ 1,164,052</b>	<b>\$ 23,072,957</b>	<b>\$ 304,305</b>	<b>\$ 1,526,968</b>

**B. Policies and Practices**

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

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

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**C. General Authorizations**

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

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

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$23,607,053 and an amortized book value of \$23,579,506. The average weighted maturity for this pool is 608 days.

**E. Credit Risk**

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



**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**F. Custodial Credit Risk – Deposits**

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

**G. Fair Value**

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

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

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

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

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

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

	<u>Uncategorized</u>
Investment in county treasury	<u>\$ 23,607,053</u>
<b>Total fair market value of investments</b>	<b><u>\$ 23,607,053</u></b>

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 3 – ACCOUNTS RECEIVABLE**

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

	General Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities	Total Business- Type Activities
Federal Government							
Categorical aid	\$ 193,530	\$ -	\$ -	\$ 71,751	\$ -	\$ 265,281	\$ -
State Government							
Categorical aid	243,553	-	-	4,986	-	248,539	-
Lottery	528,181	-	-	-	-	528,181	-
Local Government							
Other local sources	596,094	9,198	8,077	7,152	2,742	623,263	1,095
<b>Total</b>	<b>\$ 1,561,358</b>	<b>\$ 9,198</b>	<b>\$ 8,077</b>	<b>\$ 83,889</b>	<b>\$ 2,742</b>	<b>\$ 1,665,264</b>	<b>\$ 1,095</b>

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 4 – CAPITAL ASSETS**

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

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 6,138,461	\$ -	\$ -	\$ 6,138,461
Construction in progress	216,743	236,929	70,909	382,763
Total Capital Assets not Being Depreciated	6,355,204	236,929	70,909	6,521,224
Capital assets being depreciated				
Land improvements	5,379,698	308,868	-	5,688,566
Buildings & improvements	91,196,008	345,905	-	91,541,913
Furniture & equipment	1,015,276	114,951	-	1,130,227
Total Capital Assets Being Depreciated	97,590,982	769,724	-	98,360,706
Less Accumulated Depreciation				
Land improvements	1,496,261	269,807	-	1,766,068
Buildings & improvements	23,624,444	2,145,713	-	25,770,157
Furniture & equipment	700,014	73,330	-	773,344
Total Accumulated Depreciation	25,820,719	2,488,850	-	28,309,569
<b>Governmental Activities</b>				
Capital Assets, net	\$ 78,125,467	\$ (1,482,197)	\$ 70,909	\$ 76,572,361

Depreciation expense is allocated to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 1,636,012
Instructional supervision and administration	65,875
Instructional library, media, and technology	60,969
School site administration	141,586
Home-to-school transportation	10,475
Food services	76
All other pupil services	132,033
Centralized data processing	2,423
All other general administration	161,596
Plant services	249,527
Ancillary services	26,354
Community services	1,924
	<u>\$ 2,488,850</u>

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 5 – ACCRUED LIABILITIES**

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

	General Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	District-Wide	Total Governmental Activities	Total Business- Type Activities	Total Fiduciary
Payroll	\$ 273,998	\$ -	\$ -	\$ 27,194	\$ -	\$ 301,192	\$ 87,873	\$ -
Vendors payable	2,746,896	34,465	5,077	30,076	-	2,816,514	23,379	302,221
Unmatured interest	-	-	-	-	596,723	596,723	-	-
<b>Total</b>	<b>\$ 3,020,894</b>	<b>\$ 34,465</b>	<b>\$ 5,077</b>	<b>\$ 57,270</b>	<b>\$ 596,723</b>	<b>\$ 3,714,429</b>	<b>\$ 111,252</b>	<b>\$ 302,221</b>

**NOTE 6 – UNEARNED REVENUE**

Unearned revenue at June 30, 2016, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	\$ 112,675	\$ -	\$ 112,675
State categorical sources	157,104	-	157,104
Local sources	-	79,606	79,606
<b>Total</b>	<b>\$ 269,779</b>	<b>\$ 79,606</b>	<b>\$ 349,385</b>

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 7 – LONG-TERM DEBT**

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

	Restated Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 52,458,618	\$ 1,649,045	\$ 3,053,315	\$ 51,054,348	\$ 1,979,360
Unamortized premium	1,782,651	-	135,133	1,647,518	135,135
Total general obligation bonds	54,241,269	1,649,045	3,188,448	52,701,866	2,114,495
Supplemental retirement plan	807,426	-	403,713	403,713	403,713
Compensated absences	289,423	-	9,519	279,904	-
Net OPEB obligation	3,385,474	372,539	-	3,758,013	-
Net pension liability	31,204,710	6,535,582	-	37,740,292	-
<b>Total</b>	<b>\$ 89,928,302</b>	<b>\$ 8,557,166</b>	<b>\$ 3,601,680</b>	<b>\$ 94,883,788</b>	<b>\$ 2,518,208</b>
	Restated Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016	Balance Due In One Year
<b>Business-Type Activities</b>					
Net pension liability	\$ 852,257	\$ 322,777	\$ -	\$ 1,175,034	\$ -
<b>Total</b>	<b>\$ 852,257</b>	<b>\$ 322,777</b>	<b>\$ -</b>	<b>\$ 1,175,034</b>	<b>\$ -</b>

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for supplemental retirement plan are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

**NOTE 7 – LONG-TERM DEBT (continued)**

**A. General Obligation Bonds**

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
					Outstanding July 01, 2015	Additions	Deductions	Outstanding June 30, 2016	
Election 1995, Series A	March 1, 1996	November 1, 2020	3.600% - 5.550%	\$6,500,000	\$ 2,230,000	\$ -	\$ 325,000	\$ 1,905,000	
Election 1995, Series B	February 1, 1998	November 1, 2022	3.600% - 5.200%	9,999,877	4,877,223	235,475	740,000	4,372,698	
Election 1995, Series C	August 1, 1999	May 1, 2024	3.650% - 5.650%	9,999,209	13,761,752	769,151	1,210,000	13,320,903	
Election 1995, Series D	June 7, 2001	November 1, 2025	4.000% - 5.660%	2,200,890	3,418,493	204,509	58,315	3,564,687	
Election 2002, Series B	April 7, 2010	August 1, 2034	2.000% - 6.720%	8,999,680	9,711,150	439,910	225,000	9,926,060	
2012 Refunding	February 9, 2012	May 1, 2028	2.000% - 5.000%	19,025,000	18,460,000	-	495,000	17,965,000	
					\$ 52,458,618	\$ 1,649,045	\$ 3,053,315	\$ 51,054,348	

**Election 1995**

In an election held November 7, 1995, the voters authorized the District to issue and sale \$28,700,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of raising money to finance the acquisition, construction and modernization of school facilities and paying related costs. There were four issuances under this election:

- Series A, which was issued on March 1, 1996 for \$6,500,000 with interest rates ranging from 3.600% to 5.550%. The original issuance consisted of \$2,660,000 in current interest serial bonds, and \$3,840,000 in current interest term bonds. The principal balance outstanding on June 30, 2016 amounted to \$1,905,000.
- Series B, which was issued on February 1, 1998 for \$9,999,877 with interest rates ranging from 3.600% to 5.200%. The original issuance consisted of \$6,930,000 in current interest serial bonds and \$3,069,877 in capital appreciation serial bonds. The principal balance outstanding on June 30, 2016 amounted to \$4,372,698, including accreted interest.
- Series C, which was issued on August 1, 1999 for \$9,999,209 with interest rates ranging from 3.650% to 5.650%. The original issuance consisted of \$620,000 in current interest serial bonds and \$9,379,209 in capital appreciation serial bonds. The principal balance outstanding on June 30, 2016 amounted to \$13,320,903, including accreted interest.
- Series D, which was issued on June 7, 2001 for \$2,200,890 with interest rates ranging from 4.000% to 5.660%. The original issuance consisted of \$445,000 in current interest serial bonds, \$1,360,084 in capital appreciation serial bonds, and \$395,806 in capital appreciation term bonds. The principal balance outstanding on June 30, 2016 amounted to \$3,564,687, including accreted interest.

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 7 – LONG-TERM DEBT (continued)**

**A. General Obligation Bonds (continued)**

**Election 2002**

In an election held November 5, 2002, the voters authorized the District to issue and sale \$29,000,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of raising money to finance the acquisition, construction and modernization of certain District property and facilities. There were two issuances under this election, Series A has been paid off:

- Series B, which was issued on April 7, 2010 for \$8,999,680 with interest rates ranging from 2.000% to 6.720%. The original issuance consisted of \$3,075,000 in current interest serial bonds, \$1,120,000 in current interest term bonds, and \$4,804,680 in capital appreciation serial bonds. The principal balance outstanding on June 30, 2016 amounted to \$9,926,060, including accreted interest.

**2012 Refunding Bonds**

On February 9, 2012, the District issued \$19,025,000 of general obligation refunding bonds. The bonds were issued to advance refund a portion of the District's outstanding General Obligation Bonds, Election of 2002, Series A and pay the costs of issuing the bonds. The original issuance consisted entirely of current interest serial bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred outflow of resources on the statement of net position and are amortized to interest expense over the life of the liability. Deferred outflow of resources of \$1,220,912 remain to be amortized. As of June 30, 2013, the principal balance outstanding on the defeased debt had been completely redeemed. The refunding decreased the District's total debt service payments by \$1,775,612. The transaction resulted in an economic gain (difference between the present value of debt service on the old and the new bonds) of \$380,284. The principal balance outstanding on June 30, 2016 amounted to \$17,965,000.

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 7 – LONG-TERM DEBT (continued)**

**B. Debt Service Requirements to Maturity – Bonds**

The bonds mature through 2035 as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 1,979,360	\$ 2,189,545	\$ 4,168,905
2018	2,090,079	2,259,095	4,349,174
2019	2,209,252	2,330,805	4,540,057
2020	2,342,695	2,392,774	4,735,469
2021	2,490,146	2,445,682	4,935,828
2022 - 2026	13,000,773	14,421,951	27,422,724
2027 - 2031	8,779,326	4,778,632	13,557,958
2032 - 2035	3,070,354	10,584,646	13,655,000
Accretion	15,092,363	(15,092,363)	-
Total	\$ 51,054,348	\$ 26,310,767	\$ 77,365,115

**C. Supplemental Retirement Plan (SRP)**

The District adopted a supplemental retirement plan (SRP) whereby eligible employees are provided an annuity to supplement the retirement benefits that they are entitled through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a fifteen-year period. The annuities were purchased for employees who retired at the conclusion of the fiscal year-ended June 30, 2012. As of June 30, 2016, the District owes one final payment of \$403,713.

**D. Compensated Absences**

Total unpaid employee compensated absences as of June 30, 2016 amounted to \$279,904. This amount is included as part of long-term liabilities in the government-wide financial statements.

**E. Other Postemployment Benefits**

The District follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The District's annual required contribution for the year ended June 30, 2016, was \$918,669 with net interest and other adjustments of (\$60,363) for a net annual OPEB cost of \$858,306 and contributions made by the District during the year were \$485,767, which resulted in an increase to net OPEB obligation of \$372,539. The ending balance at June 30, 2016 was \$3,758,013. See Note 9 for additional information regarding the OPEB obligation and the postemployment benefit plan.

**F. Net Pension Liability**

The District's beginning net pension liability was \$31,204,710 and increased by \$6,535,582 during the year ended June 30, 2016. The ending net pension liability at June 30, 2016 was \$37,740,292. See Note 10 for additional information regarding the net pension liability.



**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

**NOTE 8 – FUND BALANCES**

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

	General Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable						
Revolving cash	\$ 15,250	\$ -	\$ -	\$ -	\$ 445	\$ 15,695
Stores inventory	-	-	-	-	15,218	15,218
Total non-spendable	15,250	-	-	-	15,663	30,913
Restricted						
Educational programs	3,042,751	-	-	-	-	3,042,751
Capital projects	-	3,794,280	2,701,634	-	347,430	6,843,344
Debt service	-	-	-	3,868,875	-	3,868,875
All others	-	-	-	-	523,205	523,205
Total restricted	3,042,751	3,794,280	2,701,634	3,868,875	870,635	14,278,175
Committed						
Other commitments	-	-	-	-	1,600,737	1,600,737
Total committed	-	-	-	-	1,600,737	1,600,737
Assigned						
2% Retro All Units	640,000	-	-	-	-	640,000
Total assigned	640,000	-	-	-	-	640,000
Unassigned						
Reserve for economic uncertainties	1,448,491	-	-	-	-	1,448,491
Remaining unassigned	2,121,238	-	-	-	-	2,121,238
Total unassigned	3,569,729	-	-	-	-	3,569,729
<b>Total</b>	<b>\$ 7,267,730</b>	<b>\$ 3,794,280</b>	<b>\$ 2,701,634</b>	<b>\$ 3,868,875</b>	<b>\$ 2,487,035</b>	<b>\$ 20,119,554</b>

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

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 9 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**A. Plan Description and Contribution Information**

The District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	94
Active plan members	348
Total*	<u>442</u>

Number of participating employers	1
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\*As of July 1, 2014 actuarial study

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. The District provides medical benefits at the same level they are receiving at the time of retirement for a period of up to 5 years or to age 65, whichever occurs first.

**B. Funding Policy**

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For year ended June 30, 2016 the District contributed \$485,767.

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

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**C. Annual OPEB Cost and Net OPEB Obligation**

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

Annual required contribution	\$	918,669
Interest on net OPEB obligation		135,419
Adjustment to annual required contribution		(195,782)
Annual OPEB cost (expense)		858,306
Contributions made		(485,767)
Increase (decrease) in net OPEB obligation		372,539
Net OPEB obligation, beginning of the year		3,385,474
Net OPEB obligation, end of the year	\$	3,758,013

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

<b>Year Ended June 30,</b>	<b>Annual OPEB Cost</b>	<b>Percentage Contributed</b>	<b>Net OPEB Obligation</b>
2016	\$ 858,306	57%	\$ 3,758,013
2015	\$ 865,764	52%	\$ 3,385,474
2014	\$ 856,792	40%	\$ 2,967,195

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**D. Funded Status and Funding Progress**

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

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2014	\$ -	\$ 7,257,546	\$ 7,257,546	0%	\$ 25,106,341	29%

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

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

**E. Actuarial Methods and Assumptions**

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

In the July 1, 2014, actuarial valuation, the Projected Unit Cost method was used. The actuarial assumptions included a 4.0% investment rate of return, and annual healthcare cost trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 5.0%. after four years. The UAAL is being amortized as a level dollar on an open basis for 30 years.

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – PENSION PLANS**

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

	<b>Net pension liability</b>	<b>Deferred outflows related to pensions</b>	<b>Deferred inflows related to pensions</b>	<b>Pension expense</b>
STRS Pension	\$ 30,683,567	\$ 2,436,682	\$ 3,517,696	\$ 3,467,627
PERS Pension	8,231,759	1,442,631	1,226,357	1,863,648
<b>Total</b>	<b>\$ 38,915,326</b>	<b>\$ 3,879,313</b>	<b>\$ 4,744,053</b>	<b>\$ 5,331,275</b>

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

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

**Benefits provided**

The CalSTRS defined benefit plan has two benefit formulas:

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

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

***CalSTRS 2% at 60***

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

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – PENSION PLANS (continued)**

**California State Teachers' Retirement System (CalSTRS) (continued)**

**Benefits provided (continued)**

***CalSTRS 2% at 62***

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

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 9.20% and 8.56% of their salary for fiscal year 2016, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$2,436,682 for the year ended June 30, 2016.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,457,445 to CalSTRS (7.126% of 2013-14 creditable compensation subject to CalSTRS).

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

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

District's proportionate share of the	
net pension liability	\$ 30,683,567
States's proportionate share of the net	
pension liability associated with the District	16,228,181
Total	<u>\$ 46,911,748</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.046 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2014.

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – PENSION PLANS (continued)**

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

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

For the year ended June 30, 2016, the District recognized pension expense of \$3,467,627. In addition, the District recognized pension expense and revenue of \$1,257,052 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 2,501,209
Differences between expected and actual experience	-	512,730
Changes in proportion and differences between District contributions and proportionate share of contributions	-	503,757
District contributions subsequent to the measurement date	2,436,682	-
	<u>\$ 2,436,682</u>	<u>\$ 3,517,696</u>

The \$2,436,682 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 794,717
2018	794,717
2019	794,717
2020	794,717
2021	169,414
2022	169,414
	<u>\$ 3,517,696</u>

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – PENSION PLANS (continued)**

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

**Actuarial assumptions**

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

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

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

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

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

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

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

\* 10-year geometric average



**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – PENSION PLANS (continued)**

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

**Discount rate**

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

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

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

	<b>1% Decrease (6.60%)</b>	<b>Current Discount Rate (7.60%)</b>	<b>1% Increase (8.60%)</b>
District's proportionate share of the net pension liability	\$ 46,329,798	\$ 30,683,567	\$ 17,680,287

**Pension plan fiduciary net position**

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

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – PENSION PLANS (continued)**

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

**Plan Description**

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

**Benefits provided**

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

**Contributions**

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016 was 11.847% of annual payroll. Contributions to the plan from the District were \$752,266 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$8,231,759 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was 0.056 percent, which was an increase of 0.004 percent from its proportion measured as of June 30, 2014.

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – PENSION PLANS (continued)**

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

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

For the year ended June 30, 2016, the District recognized pension expense of \$1,863,648. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 281,862
Differences between expected and actual experience	470,457	-
Changes in assumptions	-	505,782
Changes in proportion and differences between District contributions and proportionate share of contributions	219,908	438,713
District contributions subsequent to the measurement date	752,266	-
	<u>\$ 1,442,631</u>	<u>\$ 1,226,357</u>

The \$752,266 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 235,529	\$ 396,153
2018	235,529	396,153
2019	219,307	363,585
2020	-	70,466
	<u>\$ 690,365</u>	<u>\$ 1,226,357</u>

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – PENSION PLANS (continued)**

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

**Actuarial assumptions**

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

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

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

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

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

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

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – PENSION PLANS (continued)**

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

**Actuarial assumptions (continued)**

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

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

\* An expected inflation of 2.5% used for this period

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

**Discount rate**

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

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

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

	<b>1% Decrease (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>1% Increase (8.65%)</b>
District's proportionate share of the net pension liability	\$ 13,397,873	\$ 8,231,759	\$ 3,935,789

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – PENSION PLANS (continued)**

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

**Pension plan fiduciary net position**

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

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 12 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

The District participates in three joint powers agreement (JPA) entities, the Schools’ Excess Liability Fund (SELF), the Alliance for Schools Collective Insurance Purchasing (ASCIP) and the California Statewide Delinquent Tax Finance Authority (the Authority). The Alliance for Schools Collective Insurance provides property, liability and workers compensation insurance for member districts. The Schools’ Excess Liability Fund arranges for and provides excess property and liability insurance for its member school districts. The relationship between the District and the JPAs are such that neither JPA is a component unit 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 financial statements. Audited financial statements are available from the respective entities.

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

**Refunded Debt**

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2016, the deferred amount on refunding was \$1,046,496.

**NOTE 14 – RESTATEMENT OF NET POSITION**

The beginning net position of Governmental Activities and of Business-Type Activities have been restated in order to record the Child Care Enterprise Fund's portion of the net pension liability, deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The effect on beginning net position is presented as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Net Position - Beginning, as Previously Reported	\$ 2,699,707	\$ 388,084
Restatement	1,030,393	(1,030,393)
Net Position - Beginning, as Restated	<u>\$ 3,730,100</u>	<u>\$ (642,309)</u>

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	\$ 35,203,957	\$ 35,081,488	\$ 35,108,183	\$ 26,695
Federal sources	1,264,443	1,300,381	1,218,601	(81,780)
Other state sources	3,828,958	3,829,669	4,634,467	804,798
Other local sources	5,529,970	5,730,855	7,176,707	1,445,852
Total Revenues	45,827,328	45,942,393	48,137,958	2,195,565
EXPENDITURES				
Certificated salaries	21,342,598	22,935,258	23,363,860	(428,602)
Classified salaries	5,477,370	5,994,016	6,235,544	(241,528)
Employee benefits	8,854,471	9,385,169	9,499,706	(114,537)
Books and supplies	4,053,552	3,684,618	2,366,970	1,317,648
Services and other operating expenditures	4,595,563	5,135,162	5,285,433	(150,271)
Capital outlay	189,060	189,060	224,983	(35,923)
Other outgo				
Excluding transfers of indirect costs	303,530	327,441	272,547	54,894
Transfers of indirect costs	(88,569)	(88,569)	(66,001)	(22,568)
Total Expenditures	44,727,575	47,562,155	47,183,042	379,113
Excess (Deficiency) of Revenues				
Over Expenditures	1,099,753	(1,619,762)	954,916	2,574,678
Other Financing Sources (Uses)				
Transfers out	(100,000)	(1,100,000)	(1,100,000)	-
Net Financing Sources (Uses)	(100,000)	(1,100,000)	(1,100,000)	-
NET CHANGE IN FUND BALANCE				
	999,753	(2,719,762)	(145,084)	2,574,678
Fund Balance - Beginning	7,412,814	7,412,814	7,412,814	-
Fund Balance - Ending	\$ 8,412,567	\$ 4,693,052	\$ 7,267,730	\$ 2,574,678

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

- On behalf payments of \$1,457,445 are not included in the actual revenues and expenditures reported in this schedule.

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

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2014	\$ -	\$ 7,257,546	\$ 7,257,546	0%	\$ 25,106,341	29%
July 1, 2012	\$ -	\$ 7,454,806	\$ 7,454,806	0%	\$ 24,433,348	31%
July 1, 2010	\$ -	\$ 5,056,365	\$ 5,056,365	0%	\$ 23,536,119	21%

See accompanying note to required supplementary information.

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

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.046%	0.045%
District's proportionate share of the net pension liability	\$ 30,683,567	\$ 26,133,360
States's proportionate share of the net pension liability associated with the District	16,228,181	15,780,451
Total	<u>\$ 46,911,748</u>	<u>\$ 41,913,811</u>
District's covered-employee payroll	\$ 22,746,645	\$ 20,685,593
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	134.9%	126.3%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%	76.5%

See accompanying note to required supplementary information.

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

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.056%	0.052%
District's proportionate share of the net pension liability	\$ 8,231,759	\$ 5,923,607
District's covered-employee payroll	\$ 7,354,334	\$ 6,151,744
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	111.9%	96.3%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%	83.4%

See accompanying note to required supplementary information.

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

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,436,682	\$ 1,835,014
Contributions in relation to the contractually required contribution*	(2,436,682)	(1,835,014)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 22,746,645	\$ 20,685,593
Contributions as a percentage of covered-employee payroll	10.71%	8.87%

\*Amounts do not include on behalf contributions

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

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 752,266	\$ 761,711
Contributions in relation to the contractually required contribution	(752,266)	(761,711)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 7,354,334	\$ 6,151,744
Contributions as a percentage of covered-employee payroll	10.23%	12.38%

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

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

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

**Schedule of Funding Progress**

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

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

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

**Schedule of District Contributions**

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

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

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**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

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

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 22,935,258	\$ 23,363,860	\$ 428,602
Classified salaries	\$ 5,994,016	\$ 6,235,544	\$ 241,528
Employee benefits	\$ 9,385,169	\$ 9,499,706	\$ 114,537
Services and other operating expenditures	\$ 5,135,162	\$ 5,285,433	\$ 150,271
Capital outlay	\$ 189,060	\$ 224,983	\$ 35,923



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# **SUPPLEMENTARY INFORMATION**

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

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster</b>	<b>CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 226,192
Title II, Part A, Teacher Quality	84.367	14341	60,150
Title III			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	32,000
Title III, Immigrant Education Program	84.365	15146	13,357
Subtotal Title III			<u>45,357</u>
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	765,060
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	51,610
Part B, Preschool Grants	84.173	13430	21,273
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	29,013
Preschool Staff Development	84.173A	13431	173
Subtotal Special Education Cluster			<u>867,129</u>
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	19,773
<b>Total U. S. Department of Education</b>			<u>1,218,601</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	389,461
Especially Needy School Breakfast Program	10.553	13526	86,497
USDA Commodities	10.555	*	95,662
Subtotal Child Nutrition Cluster			<u>571,620</u>
<b>Total U. S. Department of Agriculture</b>			<u>571,620</u>
<b>Total Federal Expenditures</b>			<u>\$ 1,790,221</u>

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

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

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	<b>Second Period Report</b>	<b>Annual Report</b>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	1,352.22	1,358.92
Special Education - Nonpublic Schools	1.85	5.67
Total TK/K through Third	1,354.07	1,364.59
Fourth through Sixth		
Regular ADA	1,034.22	1,033.72
Special Education - Nonpublic Schools	1.94	2.14
Total Fourth through Sixth	1,036.16	1,035.86
Seventh through Eighth		
Regular ADA	711.40	712.95
Extended Year Special Education	7.50	7.50
Special Education - Nonpublic Schools	1.90	2.01
Extended Year Special Education - Nonpublic Schools	0.73	0.95
Total Seventh through Eighth	721.53	723.41
Ninth through Twelfth		
Regular ADA	1,474.22	1,463.29
Extended Year Special Education	1.16	1.16
Special Education - Nonpublic Schools	5.63	5.41
Extended Year Special Education - Nonpublic Schools	0.66	0.53
Total Ninth through Twelfth	1,481.67	1,470.39
TOTAL SCHOOL DISTRICT	4,593.43	4,594.25

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

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>2015-16 Actual</b>	<b>Number of Days</b>	<b>Status</b>
		<b>Minutes</b>		
Kindergarten	36,000	36,785	180	Complied
Grade 1	50,400	51,630	180	Complied
Grade 2	50,400	51,630	180	Complied
Grade 3	50,400	54,270	180	Complied
Grade 4	54,000	55,225	180	Complied
Grade 5	54,000	55,225	180	Complied
Grade 6	54,000	61,400	180	Complied
Grade 7	54,000	61,400	180	Complied
Grade 8	54,000	61,400	180	Complied
Grade 9	64,800	65,090	180	Complied
Grade 10	64,800	65,090	180	Complied
Grade 11	64,800	65,090	180	Complied
Grade 12	64,800	65,090	180	Complied

See accompanying note to supplementary information.

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

	2017 (Budget)	2016	2015	2014
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 46,263,893	\$ 48,137,958	\$ 41,948,070	\$ 39,606,090
Expenditures And Other Financing Uses	47,339,814	48,283,042	43,497,413	40,378,392
Net change in Fund Balance	\$ (1,075,921)	\$ (145,084)	\$ (1,549,343)	\$ (772,302)
Ending Fund Balance	\$ 6,191,809	\$ 7,267,730	\$ 7,412,814	\$ 8,962,157
Available Reserves*	\$ 3,462,505	\$ 3,569,729	\$ 5,538,418	\$ 7,007,144
Available Reserves As A Percentage Of Outgo	7.31%	7.39%	12.73%	17.35%
Long-term Debt	\$ 92,365,580	\$ 94,883,788	\$ 90,780,559	\$ 60,037,244
Average Daily Attendance At P-2	4,593	4,593	4,610	4,600

The General Fund balance has decreased by \$1,694,427 over the past two years. The fiscal year 2016-17 budget projects a further decrease of \$1,075,921. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in each of the past three years and anticipates incurring an operating deficit during the 2016-17 fiscal year. Total long term obligations have increased by \$34,846,544 over the past two years.

Average daily attendance has decreased by 7 ADA over the past two years. No change in ADA is anticipated during the 2016-17 fiscal year.

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

*\*\*The actual revenues and expenditures reported in this schedule do not include STRS on behalf payments of \$1,457,445.*

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

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	Child Care Enterprise Fund	Internal Service Fund
June 30, 2016, annual financial and budget report fund balance	\$ 198,848	\$ (2,218,680)
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Deferred outflows of resources related to pensions	164,454	-
Net pension liability	(1,175,034)	-
Net OPEB obligation	-	(372,539)
Deferred inflows of resources related to pensions	(173,315)	-
Net adjustments and reclassifications	(1,183,895)	(372,539)
June 30, 2016, audited financial statement fund balance	\$ (985,047)	\$ (2,591,219)

See accompanying note to supplementary information.

**SOUTH PASADENA UNIFIED SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2016**

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	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Non-Major Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 567,106	\$ 1,609,194	\$ 348,504	\$ 2,524,804
Accounts receivable	78,170	4,645	1,074	83,889
Stores inventory	15,218	-	-	15,218
<b>Total Assets</b>	<b>\$ 660,494</b>	<b>\$ 1,613,839</b>	<b>\$ 349,578</b>	<b>\$ 2,623,911</b>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 42,020	\$ 13,102	\$ 2,148	\$ 57,270
Unearned revenue	79,606	-	-	79,606
<b>Total Liabilities</b>	<b>121,626</b>	<b>13,102</b>	<b>2,148</b>	<b>136,876</b>
<b>FUND BALANCES</b>				
Non-spendable	15,663	-	-	15,663
Restricted	523,205	-	347,430	870,635
Committed	-	1,600,737	-	1,600,737
<b>Total Fund Balances</b>	<b>538,868</b>	<b>1,600,737</b>	<b>347,430</b>	<b>2,487,035</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 660,494</b>	<b>\$ 1,613,839</b>	<b>\$ 349,578</b>	<b>\$ 2,623,911</b>

See accompanying note to supplementary information.

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

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Non-Major Governmental Funds
<b>REVENUES</b>				
LCFF sources	\$ -	\$ 200,000	\$ -	\$ 200,000
Federal sources	571,620	-	-	571,620
Other state sources	33,315	-	-	33,315
Other local sources	1,112,400	12,607	89,958	1,214,965
<b>Total Revenues</b>	<b>1,717,335</b>	<b>212,607</b>	<b>89,958</b>	<b>2,019,900</b>
<b>EXPENDITURES</b>				
Current				
Pupil services				
Food services	1,580,309	-	-	1,580,309
General administration				
All other general administration	66,001	-	3,400	69,401
Plant services	-	78,453	-	78,453
Facilities acquisition and maintenance	-	261,556	90,576	352,132
<b>Total Expenditures</b>	<b>1,646,310</b>	<b>340,009</b>	<b>93,976</b>	<b>2,080,295</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>71,025</b>	<b>(127,402)</b>	<b>(4,018)</b>	<b>(60,395)</b>
<b>Fund Balance - Beginning</b>	<b>467,843</b>	<b>1,728,139</b>	<b>351,448</b>	<b>2,547,430</b>
<b>Fund Balance - Ending</b>	<b>\$ 538,868</b>	<b>\$ 1,600,737</b>	<b>\$ 347,430</b>	<b>\$ 2,487,035</b>

See accompanying note to supplementary information.



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

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The elementary and high school systems in South Pasadena were established in 1886. The District was restructured in 1952 when San Marino seceded from the high school and formed its own unified school district. South Pasadena, located in the central section of Los Angeles County, encompasses an area of approximately 3.47 square miles and serves an estimated population of 24,000. The District provides educational facilities for kindergarten through twelfth grade in five schools, consisting of three elementary schools, one middle school, and one senior high school.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Julie Giulioni	President	November 2017
Elisabeth Eilers	Clerk	November 2017
Dr. Michele Kipke	Member	November 2017
Dr. Suzie Abajian	Member	November 2019
Jon Primuth	Member	November 2019

**DISTRICT ADMINISTRATORS**

Dr. Geoff Yantz  
*Superintendent*

David Lubs  
*Assistant Superintendent, Business Services*

Karen Reed  
*Assistant Superintendent, Human Resources*

Christiane Gervais  
*Assistant Superintendent, Instructional Services*

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

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The District did not elect to use the 10 percent de minimis indirect cost rate.

**Schedule of Average Daily Attendance (ADA)**

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

**Schedule of Instructional Time**

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

**Schedule of Financial Trends and Analysis**

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

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

**Combining Statements – Non-Major Funds**

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

**Local Education Agency Organization Structure**

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

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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**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**

Christy White, CPA

Independent Auditors' Report

Michael Ash, CPA

Heather Rubio

Governing Board  
South Pasadena Unified School District  
South Pasadena, California

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of South Pasadena Unified School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the South Pasadena Unified School District's basic financial statements, and have issued our report thereon dated November 22, 2016. Our report includes a reference to other auditors who audited the financial statements of the South Pasadena Educational Foundation (the discretely presented component unit), as described in our report on South Pasadena Unified School District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the South Pasadena Educational Foundation were not audited in accordance with Government Auditing Standards and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with this entity.

**Internal Control over Financial Reporting**

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

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

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

### **Purpose of this Report**

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



San Diego, California  
November 22, 2016

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

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board  
South Pasadena Unified School District  
South Pasadena, California

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

We have audited South Pasadena Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Pasadena Unified School District's major federal programs for the year ended June 30, 2016. South Pasadena Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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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 South Pasadena Unified School District's compliance.

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

In our opinion, South Pasadena Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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

Management of South Pasadena Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South Pasadena Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Pasadena Unified School District's internal control over compliance.

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

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

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

*Christy White Associates*

San Diego, California  
November 22, 2016

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board  
South Pasadena Unified School District  
South Pasadena, California

### **Report on State Compliance**

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

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

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

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

Our responsibility is to express an opinion on compliance for each of South Pasadena Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about South Pasadena Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of South Pasadena Unified School District's compliance with those requirements.

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### ***Opinion on State Compliance***

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

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as item #2016-1. Our opinion on state compliance is not modified with respect to these matters.

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

### ***Procedures Performed***

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

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

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

*Christy White Associates*

San Diego, California  
November 22, 2016

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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

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

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

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

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

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**FIVE DIGIT CODE**

20000  
30000

**AB 3627 FINDING TYPE**

Inventory of Equipment  
Internal Control

*There were no financial statement findings for the year ended June 30, 2016.*

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

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**FIVE DIGIT CODE**

50000

**AB 3627 FINDING TYPE**

Federal Compliance

*There were no federal award findings or questioned costs for the year ended June 30, 2016.*

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

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**FIVE DIGIT CODE**

10000  
40000  
42000  
60000  
61000  
62000  
70000  
71000  
72000

**AB 3627 FINDING TYPE**

Attendance  
State Compliance  
Charter School Facilities Programs  
Miscellaneous  
Classroom Teacher Salaries  
Local Control Accountability Plan  
Instructional Materials  
Teacher Misassignments  
School Accountability Report Card

**FINDING #2016-1 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)**

**Criteria:** Students classified as free or reduced price meal eligible (FRPM) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**Condition:** 4 of 66 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who was classified as Free or Reduced Priced Meal eligible (FRPM) did not have proper supporting documentation to support their designation. When the error is extrapolated over the impacted population (356 students), 22 students were identified as ineligible.

**Cause:** While the District does have procedures in place to identify changes as they are made and update the CALPADS records, an error occurred and the student records were not updated.

**Effect:** The District is not in compliance with State requirements.

**Context:** 22 of 2,868 (902 for 2015-16, 983 for 2014-15, and 983 for 2013-14) students reported in the District's Unduplicated Pupil Count did not have proper supporting documentation to support their FRPM designation.

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

**FINDING #2016-1 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000),**  
**continued**

**Questioned Costs:**

<b>UPP Audit Adjustment</b>		<b>Section 1: Regular UPP</b>	<b>Section 2: Alternate UPP*</b>
1	Total Adjusted Enrollment from the UPP exhibit as of P-2	14,315	14,343
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	2,868	2,868
3	Number of Unduplicated Pupil Count audit adjustment		(22)
4	Revised Adjusted Unduplicated Pupil Count	2,846	2,846
5	UPP calculated as of P-2	0.2003	0.2000
6	Revised UPP for audit finding	0.1988	0.1984
7	Greater of Revised UPP for audit finding from Section 1 or 2		<b>0.1988</b>
8	<b>Charter Schools Only:</b> Determinative School District Concentration Cap		
9	Revised UPP adjusted for Concentration Cap		<b>0.1988</b>
<b>LCFF Target Base Grant Funding</b>		<b>Estimated Values</b>	
10	Total Base Grant Funding as of P-2	\$36,741,472	
<b>LCFF Target Supplemental Grant Funding Audit Adjustment</b>			
11	Target Supplemental Grant Funding calculated as of P-2	\$1,471,863	
12	Revised Target Supplemental Grant Funding for audit finding	\$1,460,841	
13	Target Supplemental Grant Funding audit adjustment	<b>(\$11,022)</b>	
<b>LCFF Target Concentration Grant Funding Audit Adjustment</b>			
14	Target Concentration Grant Funding calculated as of P-2	\$0	
15	Revised Target Concentration Grant Funding for audit finding	\$0	
16	Target Concentration Grant Funding audit adjustment	<b>\$0</b>	
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target</b>			
17	Total Target Supplemental and Concentration audit adjustment	<b>(\$11,022)</b>	
<b>Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap</b>			
18	Statewide Gap Funding Rate as of P-2	0.5255761597	
21	Estimated Cost of Unduplicated Pupil Count audit adjustment	<b>(\$5,793)</b>	

**Recommendation:** We recommend that the District ensure that all students listed as FRPM in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report have proper documentation to support their CALPADS designation.

**District Response:** The District has implemented an internal control check to verify that all students listed as FRPM have proper documentation.



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

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*There were no audit findings or questioned costs for the year ended June 30, 2015.*