



## Pacifica School District

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Preparing Students for an Evolving World

[www.pacificasd.org](http://www.pacificasd.org)

### MEMORANDUM

Administrative Services

Meeting of

01/18/17

TO: Wendy S. Tukloff, Ed.D., Superintendent  
For Board of Trustees

FROM: Josephine Peterson, Chief Business Official

SUBJECT: **2015-2016 Audit Report**  
(Discussion/Action)

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#### Recommendation:

It is recommended that the Governing Board accept the 2015-2016 audit report.

#### Background

Education Code §41020 requires districts to have an external audit conducted on its financial statements annually. The general objective of each audit is to determine whether:

- The financial statements are presented fairly and in accordance with Governmental Accounting Standards Board (GASB).
- There is effective control over and proper accounting for revenues, expenditures, assets and liabilities.
- State and Federal financial reports and claims for advances or reimbursements contain accurate and reliable financial data and are presented in accordance with the terms of applicable agreements.
- State and Federal funds are being expended in accordance with the terms of applicable agreements and those provisions of law or regulations that could have a material effect on the financial statements or on the awards tested.

The 2015-2016 audit report continues to reflect the federal guidelines under GASB 34. For GASB 34, staff had to include all district fixed assets with a value over \$5,000, including land, buildings, and equipment. The value placed on a fixed asset was based on its cost at the time of its acquisition. These assets were included in the financial statements presented in the audit. The audit report more closely resembles a report for a non-profit or governmental entity. Per California Education Code, school districts maintain separate funds for their financial activities, namely the general fund, building fund, cafeteria fund, etc. Under GASB 34 these funds are combined for the purposes of reporting the financial

activities of a school district. The combined statements should not be taken as an indication that California law has changed to allow a school district to actually merge different funds or include the value of fixed assets as part of its reserves.

**Findings and Recommendations:**

There were no findings in the 2015-2016 audit report.

**Internal Control Recommendation:**

There were no internal control recommendations in the 2015-2016 audit report.

**Prior Year Findings and Recommendations:**

None

**General Obligation Bonds**

The District (through elections) received authorization to issue general obligation bonds (GOB) in 1998 that requires the county to levy taxes to repay the bonds. As of June 30, 2016, the total outstanding GOB balance equals \$33,970,508. The bonds are comprised of both Current Interest Bonds and Capital Appreciation Bonds. Details of the District's Bond Program are described in Note 7 of the audit report.

**Post Employment Benefits Obligations:**

Per GASB 45, the District's audit report also contains the results of the most recent actuarial valuation. GASB 45 requires that an employer's expense for post employment benefits be determined using actuarial methods. The District's actuarial accrued liability (AAL) for these expenses as of July 1, 2015 (latest actuarial valuation) was \$10.4 million. The law does not require that the District accrue for this liability only that the amounts be reported. Currently, the District pays for retiree benefits on a 'pay as you go' method; only current costs (for retirees) are paid. The District paid \$676,750 in 2015-2016 for retiree benefits. If the District were to fund the benefits as determined by the actuary study, the District would have paid \$1,946,293 which is called the annual required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and the unfunded actuarial accrued liabilities (AAL=\$10.4 million). Details of the District's Employee Retirement System are described in Note 8 of the audit report.

Sheldon Chavan, CPA/Partner Chavan & Associates, LLP, or Paul Pham, CPA will present the audit report at the meeting.