



San Ysidro School District

*Quality education and opportunity for all
students to succeed*

Governing Board
Marcos A. Diaz, President
Rodolfo Linares, Vice-President
Steven Kinney, Clerk
Antonio Martinez, Member
Rosaleah Pallasigue, Member

Julio Fonseca, Ed.D.
Superintendent

August 16, 2016

Melinda J. Richards, Foreperson
2015/2016 San Diego County Grand Jury
County of San Diego
Hall of Justice
330 W. Broadway, Suite 477
San Diego, CA 92101-3830

Dear Ms. Richards:

On behalf of the San Ysidro School District and its Board of Education, I enclose our response to the 2015-2016 Civil Grand Jury report entitled, *San Ysidro School District Indebtedness* which was released on Tuesday, May 24, 2016. The attached document responds to the findings and recommendations in the civil grand jury report as required by the California Penal Code Sections 933 and 933.05.

We would like to thank the members of the Civil Grand Jury for their interest in the District's bond program and business practices. This is an area the District has already begun to improve.

Thank you again for the opportunity to comment on this Civil Grand Jury report.

Sincerely,


Julio Fonseca, Ed.D.
Superintendent

cc: San Ysidro School District Board of Education
San Diego County Office of Education
County of San Diego Office of the Grand Jury

Encl.

RECEIVED

AUG 16 2016 

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COUNTY GRAND JURY



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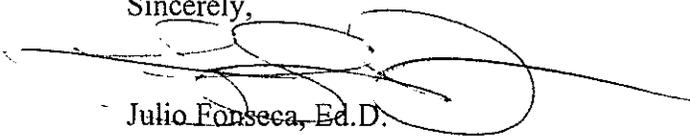
August 16, 2016

Honorable Jeffrey B. Barton
Presiding Judge
Superior Court of California, County of San Diego
Main Courthouse
Third Floor
220 W. Broadway
San Diego, CA 92101

Dear Judge Barton:

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Sincerely,


Julio Fonseca, Ed.D.
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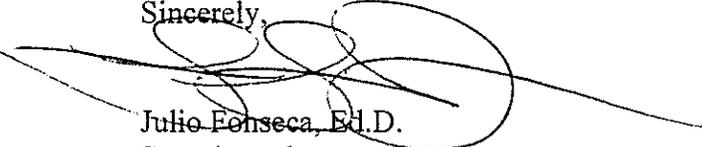
August 16, 2016

Gregg Robinson, President
Board of Education
San Diego County Office of Education
6401 Linda Vista Rd.
San Diego, CA 92111-7319

Dear President Robinson:

Attached please find an information copy of the San Ysidro School District's response to the 2015-2016 Civil Grand Jury report entitled, *San Ysidro School District Indebtedness*. The attached document responds to the findings and recommendations in the civil grand jury report as required by the California Penal Code Sections 933 and 933.05.

Sincerely,



Julio Fonseca, Ed.D.
Superintendent

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San Ysidro School District Response to 2015-2016 Civil Grand Jury Report: "San Ysidro School District Indebtedness"

For each Finding of the Civil Grand Jury, the response must either: (1) agree with the finding, or (2) disagree with it, wholly or partially, specify the portion of the finding that is disputed and explain why. For each Recommendation made by the Civil Grand Jury, the responding party must provide one of the following for responses:

- Response One: the recommendation has been implemented, with a summary regarding the implemented action;
- Response Two: the recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation;
- Response Three: the recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the grand jury report;
- Response Four: the recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation thereof.

OVERVIEW

As the grand jury report states, San Ysidro School District, located next to the border with Mexico, is one of the poorest school districts in California. The District's mission and responsibility is to educate approximately 5,000 students, preschool through 8th grade. Of its 5,000 student population, one-fifth are homeless. The Board of Education and District administration (collectively, "SYSD" or "District") therefore thank the civil grand jury for their interest in ensuring the District has in place proper governance and sound fiscal controls to ensure the best learning environment for its students.

Many of the important issues raised by the grand jury are already being addressed by the new Administration of the District. Specifically, those issues related to transparency and effective fiscal controls. Nonetheless, as the grand jury report confirms, the District has faced significant financial difficulties which have been corrected by the new Administration staff that began July 2015.

Beginning in FY 2007-08, the District's initial adopted budget process significantly understated its REVENUES estimates and overstated its EXPENDITURES estimates. The actual financial results in each

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San Ysidro School District "prohibits unlawful discrimination against and/or harassment of district employees and job applicants on the basis of actual or perceived race, color, national origin, ancestry, religious creed, age, marital status, pregnancy, physical or mental disability, medical condition, veteran status, gender or sexual orientation, at any district site and/or activity." Board Policy 4030

fiscal year's ending budget audit report clearly demonstrated that the District was NOT in any actual financial difficulty and easily met the State's financial requirements for a **“positive”** budget certification.

Set forth in the tables below is a summary of the District's historical General Fund trends, ending fund balances, and resulting reserve percentages:

San Ysidro School District General Fund Components	FY 2007-08 Audit	FY 2008-09 Audit	FY 2009-10 Audit	FY 2010-11 Audit	FY 2011-12 Audit
Revenues	\$45,822,934	\$45,593,598	\$38,816,908	\$42,889,075	\$39,205,902
Expenditures	48,311,699	45,492,522	40,442,898	43,249,064	41,263,325
Other Sources	(313,962)	(169,205)	300,000	51,608	0
Net Change	(\$2,802,727)	(\$68,129)	(\$1,325,990)	(\$308,381)	(\$2,057,423)
Beginning Balance	\$9,600,769	\$6,798,042	\$6,729,913	\$5,403,923	\$7,428,249
Ending Balance	\$6,798,042	\$6,729,913	\$5,403,923	\$5,095,542	\$5,370,826
Ending Balance %	14.07%	14.79%	13.36%	11.78%	13.02%
State Reserve Minimum %	3.00%	3.00%	3.00%	3.00%	3.00%
Reserve Over State %	11.07%	11.79%	10.36%	8.78%	10.02%

San Ysidro School District General Fund Components	FY 2012-13 Audit	FY 2013-14 Audit	FY 2014-15 Audit	FY 2015-16 Est. Actuals	FY 2016-17 Budget
Revenues	\$38,824,378	\$41,881,727	\$45,549,204	\$51,751,862	\$54,546,737
Expenditures	39,582,495	40,133,797	43,696,134	48,986,925	53,552,448
Other Sources	0	0	(23,317)	0	0
Net Change	(\$758,117)	\$1,747,930	\$1,829,753	\$2,764,937	\$994,289
Beginning Balance	\$5,370,826	\$4,612,709	\$6,360,639	\$8,190,392	\$10,955,329
Ending Balance	\$4,612,709	\$6,360,639	\$8,190,392	\$10,955,329	\$11,949,618
Ending Balance %	11.65%	15.85%	18.74%	22.36%	22.31%
State Reserve Minimum %	3.00%	3.00%	3.00%	3.00%	3.00%
Reserve Over State %	8.65%	12.85%	15.74%	19.36%	19.31%

As set forth in the above tables, the District's General Fund Ending Balances always exceeded the State's 3% minimum reserve balance by a low of 8.78% in FY 2010-11 to a high of 19.36% in FY 2015-16.

In fact, this last year, is the first time in eight years the District received back to back positive interim certifications and also earned double upgrade in bond rating and COP ratings from Fitch Rating.

COMMENT: The District received positive budget certifications from SDCOE in every year except the period beginning in FY 2009-10 through FY 2014-15. The table below sets forth the budget certifications that the District received from SDCOE for its First and Second Interim Budget Reports for each fiscal year:

San Ysidro School District – General Fund Budget Certification Trends		
Fiscal Year	First Interim Budget Report	Second Interim Budget Report
FY 2007-08	Positive Certification	Qualified Certification
FY 2008-09	Positive Certification	Qualified Certification
FY 2009-10	Positive Certification	Qualified Certification
FY 2010-11	Positive Certification	Positive Certification
FY 2011-12	Positive Certification	Qualified Certification
FY 2012-13	Qualified Certification	Negative Certification
FY 2013-14	Negative Certification	Qualified Certification
FY 2014-15	Negative Certification	Qualified Certification
FY 2015-16	Positive Certification	Positive Certification

The apparent reason that the District received the above Qualified and Negative Budget Certifications appears to be the result of significantly understating the estimated REVENUES and overstating the estimated EXPENDITURES by both previous District management staff and SDCOE staff during General Fund budget process for the period (8 years) from FY 2009-10 through FY 2014-15. The tables below compare the District’s General Fund estimates at the time of budget adoption at the start of each fiscal year and the actual audited financial results at the end of each fiscal year that the District received a budget certification that was less than “positive”:

San Ysidro School District Ending Balance Comparison	Adopted Budget	Audit Actual	Budget/Actual Difference
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FY-2011-12 Ending Balance Comparison			
Ending Balance \$	\$1,993,185	\$5,370,826	\$3,377,641
Ending Balance %	4.95%	13.02%	8.07%
State Reserve Minimum %	3.00%	3.00%	0.00%
Reserve Over State %	1.95%	10.02%	8.07%

San Ysidro School District Ending Balance Comparison	Adopted Budget	Audit Actual	Budget/Actual Difference
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FY-2012-13 Ending Balance Comparison			
Ending Balance \$	\$723,906	\$4,612,709	\$3,888,803
Ending Balance %	1.80%	11.65%	9.86%
State Reserve Minimum %	3.00%	3.00%	0.00%
Reserve Over State %	-1.20%	8.65%	9.86%

FY-2013-14 Ending Balance Comparison			
Ending Balance \$	(\$1,069,496)	\$6,360,639	\$7,430,135
General Fund Components	-2.45%	15.85%	18.30%
Revenues	3.00%	3.00%	0.00%
Expenditures	-5.45%	12.85%	18.30%

FY-2014-15 Ending Balance Comparison			
Ending Balance \$	\$2,485,145	\$8,190,392	\$5,705,247
Ending Balance %	5.20%	18.74%	13.55%
State Reserve Minimum %	3.00%	3.00%	0.00%
Reserve Over State %	2.20%	15.74%	13.55%

As set forth in the above tables, the District and SDCOE budget process resulted in estimates that were vastly lower than the audited actuals. Had the District and SDCOE budget estimates been closer to the actual financial results, the District should have received a **“positive”** budget certification for all of these past years.

The new management at the District has been able to more accurately build its annual budget estimates. This has resulted in positive budget certifications in each subsequent year by SDCOE.

In fact, as recently as August 12, 2016, Moody's Investors Service upgraded the district's credit rating from A3 to an A2 rating to San Ysidro School District's \$6.5 million 2016 Refunding Certificates of Participation (COPs). Moody's also upgraded the district's outstanding COP rating to A2 from A3 COP, affecting \$10 million and affirmed the district's A1 general obligation (GO) rating affecting \$127.8 million in outstanding debt. Moody's stated in its Rating Report rationale that these credit rating upgrades are a result of Moody's *“expectation that the district's sound financial position will remain stable given management's commitment to maintain reserves at a minimum of 15% and prudent fiscal practices”*. The district has achieved this ongoing financial strength by exercising prudence in its financial decisions and working in partnership with the District's parents, teachers, District staff, and other community partners.

In the procedure section of the grand jury report, it asserts the grand jury reviewed relevant sections of the California Constitution and the Education Code. The District is in complete agreement that governmental agencies must comply with legal mandates. For example, California has a statewide public education system with clearly delineated statutory obligations for each educational entity. The California Constitution mandates the establishment of local school districts. Although the Constitution also provides for the establishment of county superintendents of schools and county boards of education, the mission of a school

district is separate and distinct from a county office of education. A school district is charged with mass education; a county office of education is not. Although the grand jury report makes findings and recommendation for both the District and San Diego County Office of Education (“SDCOE”) each entity is a standalone governmental agency. Each is governed by a separate elected body, managed by separate Superintendents, subject to different budgets, and established for different roles.

FINDINGS

01. Strategic plans assure accountability and transparency.

Disagree with finding, partially. Strategic plans are helpful planning tools. However, the absence of formal strategic plans does not mean the District does not have separate, individual strategies to meet the evolving needs of various areas. For example, the District is in the process of finalizing an updated School Facilities Needs Assessment. The School Facilities Needs Assessment identifies the needs of every school campus and facilities across the District. The School Facilities Needs Assessment was recently presented at a community meeting on June 9, 2016. Once the School Facilities Needs Assessment is finalized, the Board of Education will hold a duly noticed public meeting, take public input, and prioritize the identified school facilities projects. The final document may be referred to as a strategic facilities plan. The District achieves transparency by continuously engaging the parents and stakeholders in the language and in the manner that ensures the greatest degree of participation.

The District has also been working on a reconfiguration plan that will evaluate the best use of all the school sites to accommodate the needs of its students consistent with the District’s educational programs. The Beyer school site is part of this analysis.

The District is also finalizing an audit of its energy expenditures that will be followed by an Energy Expenditure Plan. The audit will evaluate the electricity and natural gas cost and usage. It will also identify technological improvements that can be implemented throughout the District to enhance energy efficiency. The proposed energy upgrades, include, as way of example, replacement of the Heating Ventilation and Air Condition units (“HVAC”) to ensure the District’s facilities are conducive to a healthy learning and working environment. The final Energy Expenditure Plan Report will be submitted to the California Energy Commission for approval and funding pursuant to the California Clean Energy Jobs Act.

02. A citizen oversight committee for bonds and COPS would increase transparency and accountability.

Disagree with finding, partially. Even before the jury report was issued, the District has already been analyzing the creation of a citizens’ oversight committee for the 1997 Bond Program. The District intends to honor the mandate of the voters of San Ysidro in administering the bond program. The District understands that its debt management is subject to various monitoring and oversight by other governmental agencies and credit agencies. The manner in which the District will be most accountable to its community is by ensuring the District’s credit worthiness, and completing the scheduled projects. In recognition of the importance of community involvement, the District will bring the recommendation to form a citizen’s oversight committee for Board consideration on August 23, 2016.

03. San Diego County Office of Education guidance on establishing a citizens’ oversight committee would strengthen the process.

Disagree with finding. The District's Proposition C, passed in 1997 was subject to a two thirds voter approval. The proposition in fact passed with over 80% voter approval. In 2000 California voters approved Proposition 39, which reduced the majority voting threshold required to pass a school bond measure from two-thirds to 55%. Assembly Bill 1908 was enacted to implement the mandates of the voter approved proposition and is codified in Education Code §§ 15278 *et. seq.* The Education Code dictates composition of the citizens' oversight committee, requiring for example, that a member be a representative of a business within the school district, a parent or guardian of a child enrolled in the school district, a parent or guardian active in a parent-teacher organization. (*see*, Education Code §15282 (a)(1),(4),(5)). The District prides itself in the strong relationship it has with the families served by the District, and the partnerships with its local businesses. Given the unique demographics of San Ysidro, the District would be better positioned, then the SDCOE, to establish a citizens' oversight committee truly reflective of the San Ysidro community. Should the District establish a citizen's oversight committee it will be guided by the statutory framework of Proposition 39 codified in the Education Code.

04. Absence of internal controls and citizen oversight of bond fund transactions allowed errors to go unnoticed and uncorrected.

Disagree with finding. The District, like all school districts, is an agency of the state created by the California Legislature pursuant to Article IX, section 3 of the California Constitution. The District has at all times been bound by the statutory and regulatory requirements of public school district financial management and reporting. The budgeting process, which is virtually continuous in a fiscal year, begins with a preliminary budget adopted prior to July 1st. During the school year it is adjusted through the year with interim reports, and once the school fiscal year closes, the process ends with an audit from an independent certified audit firm, certifying the accuracy of the records. This information is always presented at duly noticed public meetings to the governing board. The revenue and expenditures related to the its capital fund and debt service funds are also included.

In addition, in California, public school districts, including SYSD are subject to state reporting and oversight requirements. In 1991, Assembly Bill 1200 was passed establishing a formal process for review and oversight of school district budgets, specifically to create an early warning system and help avert a financial crisis. In compliance with AB 1200, the District submitted to the SD County Superintendent its preliminary budget, first and second interim reports, and unaudited financial report at the end of the fiscal year. The District's budgets are then submitted to the State Superintendent of Public Instruction. The County Superintendent reviewed the District's financial reports and provided either a qualified or negative certification from 2007 through 2014.

There was no shortage of objective, third party oversight. In fact, the SDCOE has experts in finance who had the responsibility to review the District's budget multiple times throughout each fiscal year, and in fact discovered deficiencies, or as the grand jury report states, "errors." The legally mandatory year-end audit is required to address not only the actual numbers, but the District's financial systems and practices. The grand jury report does not provide any specific examples of the "errors". However, the District agrees that any such errors should have been identified through the multiple levels of review and corrected. In an audit performed by the District it was identified that the District's actual financial results exceeded the Positive Financial Certification parameters for fiscal years 2012-2013, 2013-2014, and 2014-2015.

05. To facilitate transparency and accountability, the continuing status of the bond and COPs should be easily available to the public.

Agree. The District maintains the annual federal, state and local compliance requirements for all of its outstanding COP and G.O. Bond issues.

06. San Ysidro School District failed to conduct due diligence on land purchases.

Disagree with finding, partially. As the grand jury report acknowledges, many District documents were destroyed. The District therefore, does not have evidence suggesting that the District failed to conduct due diligence on land purchases.

The land purchases represent the sites at which the District constructed two new school campuses. As part of the District's due diligence process, the school sites received the required approvals from the California Department of Education and the Department of Toxic Substance Control prior to the construction of the two new school campuses.

07. The lack of standard formal accounting policies and procedures contributed to San Ysidro School District financial problems.

Disagree with finding, partially. As discussed in Finding 04, California school finance system is strictly regulated, including requiring very specific financial accounting and reporting obligations.

08. Written standard operating procedures provide would provide essential information to employees.

Agree.

09. Staff without proper training contributed to errors in accounting practices.

Disagree with finding, partially. The District agrees with the general proposition that staff ought to receive proper training and lack of proper training may lead to errors. However, the grand jury report does not provide examples of the specific errors that were made in order to properly determine whether it was a staff member who did not receive proper training that contributed to errors in accounting practices.

10. A corporation with directors who do not know their responsibilities cannot function properly.

Agree. The District agrees with the proposition that directors for any corporation or private or public entity should know their responsibilities. While directors, or board members have a responsibility to be financially prudent in the corporation's (District's) best economic interest, the actual day-to-day management and operation of a corporation or public agency is vested in the experts the directors hire to ensure the proper functioning of the entity. The various corporate documents of the San Ysidro Schools Public Financing Corporation, including its meeting agendas and Resolutions comply with all legal requirements, including the Government Code and Corporate Code.

11. Poor decisions by the Board of Trustees significantly contributed to San Ysidro School District financial problems.

Disagree with finding, partially. There are numerous factors that may contribute to a school district's "financial problems." In California, specifically over the last several years, state funding, or lack thereof, has created financial difficulties for many school districts. Declining enrollment may be another contributing factor. For example, from fiscal year 2013/2014 to 2014/2015 the District experienced a drop in Average Daily Attendance ("ADA") of 212 students. The number of students who attend school is critical to district revenue because most of the District's funding is provided on a per-pupil basis. For a small district of 5,000 students, a drop in ADA of 212 is significant. Therefore, given the deference to elected officials deliberative process, and the numerous factors impacting a school's financial stability, the District cannot agree that the Board's action's "significantly" contributed to the District's financial difficulties.

The District's actual financial position in each of the last several years, as demonstrated by its annual audit reports, demonstrated that the District was never in "financial difficulty". However, the prior management and SDCOE's budget estimates during the FY 2011-12 through FY 2014-15 four-year period did prove to be too conservative. The District's new management has been much more accurate with budget estimates to actuals during the budgeting process.

12. To assure transparency and accountability and to restore public trust in San Ysidro School District's operations, and independent forensic audit of San Ysidro School District is warranted.

Disagree with finding, partially. As previously stated, for the first time in eight years, the District received a double positive interim certification and also earned an upgraded bond rating from Fitch Rating for both the Bond Program and its Certificates of Participation. As also stated above, as recently as last week, August 12, 2016, Moody's Investors Service has assigned an upgraded A2 rating to San Ysidro School District's \$6.5 million 2016 Refunding COPs. Moody's also upgraded the district's outstanding COP rating to A2 from A3 COP, affecting \$10 million and affirmed the district's A1 general obligation (GO) rating affecting, \$127.8 million in outstanding debt. In its continuous effort for transparency and accountability, District has also retained the California Financial Services ("CFS") to conduct a comprehensive reconstruction audit of the District's Capital Facilities Program including all of its school facilities revenues and expenditures from the COPs, G.O. Bonds, State matching grants, Community Facilities District Special Tax revenues and other district Capital facilities revenue/funding sources.

However, conducting a forensic audit of the entire District, as the grand jury report suggests, would be cost prohibitive, potentially costing hundreds of thousands of dollars. It is therefore, the District's position that the most effective way to maintain the public trust in the District is to continue to sustain a balanced budget with positive certification, ensure the District's credit worthiness, manage its debt, and ultimately prudently invest the limited resources in the education of its students.

Nonetheless, the District continues to exercise extreme diligence in reviewing all financial aspects of the District. If any discrepancies are discovered, the District will determine if a forensic audit is warranted in an indefinable area, with clear parameters.

13. San Diego County Office of Education needs to be directly involved in providing proper accounting policies and procedures to ensure San Ysidro School District's financial stability.

Disagree. As discussed in response to Finding 04, a school district's accounting practices are statutorily prescribed. SDCOE has at all times, including the time period reviewed by the grand jury, had mandatory fiscal oversight responsibilities of the District. In fact, on March 20, 2013, the County Superintendent of SDCOE exercised his authority under Education Code §42127.6 and appointed a Fiscal Advisor to the District. That action gave SDCOE veto power over fiscal actions proposed by the District's Board. During the time period the SDCOE exercised its authority over the District, the District ended up at impasse with its teacher's bargaining unit and ultimately before the Public Employment Relations Board ("PERB"), incurring legal costs for the District. Since the District has regained independent management of its finances, the District has closed out labor negotiations for three years with the San Ysidro Education Association, and still obtained a positive certified budget.

The grand jury report specifically found, "the . . . San Diego County Office of Education inadequately monitored San Ysidro School District fiscal condition." Therefore, the District disagrees that SDCOE "needs to be directly involved" with the District in any manner, other than as specifically provided for in the Education Code for a school district with a positive certified budget-which is the District's current position.

14. San Diego County Office of Education's strong support of an independent forensic audit would demonstrate to San Ysidro School District citizens that significant actions beyond the district are being taken to fulfill SDCOE's duties to the state and to rectify San Ysidro School District's financial problems.

Disagree with finding. As outlined in response to Finding 13 above, SDCOE has in fact exercised extreme oversight of the District's financial and labor relations decisions. As already mentioned above, SDCOE represented to PERB that it had conducted a forensic analysis of the District's finances. In addition, as a result of SDCOE's negative certification of the District's budget and their report to the State Department of Education, in 2014, the State appointed the Fiscal Crisis Management Assistance Team ("FCMAT") to conduct an organizational review of the District. The grand jury report referenced the FCMAT report. These audits, as well as the cost of the individuals assigned to oversee the District's operations, have all been at the District's expense. It is therefore the District's position, that continued prudent financial decisions, made through duly noticed public budgeting process, and not continued use of public dollars for additional audits, will result in a strong financial position for the District and ultimately allow the District do what it is established to do- educate children.

Given that the District's historic actual audited financial results exceeded the positive certification parameters, and its continued positive certification status for the last two fiscal years, additional audits and the associated expense is unnecessary.

RECOMMENDATIONS

- 16-12: Create a long-term strategic plan for facility needs.

The recommendation requires further analysis. As outlined in response to Finding 01, the District is already conducting a facility needs assessment, in addition to an Energy Expenditure Plan. In addition, the District conducted a public meeting on June 9, 2016 to take public input on assessing school impact fees on development projects. Once the facilities assessments are completed, the District will be in a better position to determine whether a facilities long-term strategic plan is warranted. The

District will have a final response on whether a long-term strategic plan is warranted by November 18, 2016.

16-13: Immediately assemble a Citizens' Bond Oversight Committee that complies with Proposition 39 membership requirements to oversee bond and COP transactions.

The recommendation has not been, but will be implemented in the future. As the grand jury report states, and as discussed in response to Finding 03, when Proposition C was passed by the voters in 1997, state law did not require a citizens' oversight committee. However, in recognition of the importance of parent, and community partner input, the District will establish a citizen's oversight committee for Proposition C expenditures. As for, certificates of participation state law does not place within citizen's bond oversight committee jurisdiction over COP transactions. The District nonetheless values parental, business and other stakeholder involvement in all of its affairs. The District will have a final determination on the establishment of a citizen's bond oversight committee by November 18, 2016.

16-14: Reconcile bond fund transfers and expenses present the reconciliation actions to the Citizen's Bond Oversight Committee for review prior to full Board review.

The recommendation will not be implemented because it is not warranted. The District has retained a California Financial Services to conduct a comprehensive reconstruction audit of all of the District's Capital Facility Fund revenue/funding sources and expenditures including the 1997 Bond Program. As the grand jury report has acknowledged, at this time a citizen's bond oversight committee does not exist. The initial reconstruction audit report summary for the period from May 1, 2004 through June 30, 2015 was presented to the Board on June 23, 2016. As additional results of the reconstruction audit are completed, the findings will be periodically presented to the Board at a duly noticed meeting.

16-15: Post on the San Ysidro School District website the status of bond and COP disbursements, with timely updates.

The recommendation is being developed and, will be implemented in the near future.

16-16: Conduct due diligence on all future property transactions.

The recommendation has not been, but will be implemented in the future. At this time, the District does not have any plans to purchase property. If at any point the District opts to purchase property, it will follow industry best practices related to real estate purchases including, but not limited to reviewing title reports, conducting environmental assessments, and performing the proper due diligence to determine any restrictions or obligations running with the land and associated costs. In addition, any such property purchases will be discussed at duly noticed public meetings. The District will also continue the due diligence process required to obtain the California Department of Education and Department of Toxic Substance Control approvals for future school site acquisitions.

16-17: Establish strong formal accounting policies and procedures governing all financial transactions to ensure internal controls and promote sound business practices.

The recommendation has not been, but will be implemented in the future. The District strictly complies with the mandatory school accounting procedures. The District will have on site the

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San Ysidro School District "prohibits unlawful discrimination against and/or harassment of district employees and job applicants on the basis of actual or perceived race, color, national origin, ancestry, religious creed, age, marital status, pregnancy, physical or mental disability, medical condition, veteran status, gender or sexual orientation, at any district site and/or activity." Board Policy 4030

California School Accounting Manual. In addition, the District is in agreement that Board Policies and implementing administrative regulations related to general business practices are necessary. The District will present to the Board for adoption, business policies by December 30, 2016.

16-18: Produce and distribute to all business service employees a manual of standard operating procedures.

The recommendation requires further analysis. The District agrees to present to the Board for adoption business policies and implementing administrative regulations that, if approved by the Board will be made available to all District personnel. Since November 2015, the District has had on site the California School Accounting Manual.

16-19: Provide ongoing staff training on state school accounting practices (CSAM) and any additional San Ysidro School District policies to ensure accurate record keeping and retention.

The recommendation has been implemented. The District has already provided trainings on proper record keeping, separation of duties to ensure checks and balances and general accounting.

16-20: Educate the Board of Trustee members on their duties and responsibility to the San Ysidro School Public Financing Corporation.

This recommendation has not yet been implemented, but will be implemented in the future. The San Ysidro Schools Public Financing Corporation (“Finance Corporation”) was established June 30, 1998. The Bylaws of the Finance Corporation provide that the Directors shall be the Board of Education. As such, the Finance Corporation holds its meetings, and conducts its business in compliance with California’s open meeting laws. The Board of Education, whether sitting as members of the governing board, or as directors for the Finance Corporation, are very well aware of their fiduciary obligations to set policies, hire expert staff, and approve construction projects, including site acquisition, contracts and financing decisions. Nonetheless, the District and the Board agree that ongoing trainings are critically important, especially when new Board members are elected. The Board, in their capacity as directors of the corporation will have a training by January 13, 2017.

16-21: Require all Board members receive a California Association of School Board training and certification on their duties and responsibilities.

The recommendation requires further analysis. The Board Members regularly attend conferences sponsored by the California School Boards Association, the National Association of School Boards, training sponsored by law firms and other governance experts. By November 18, 2016, the District will schedule training for the Board members covering areas including, but not limited to effective governance, Brown Act, Conflicts of Interest, and Public Records Act. However, the District will determine which experts are best equipped to provide the training, taking into consideration the issues the District and its governing Board have confronted.

16-22: Hire an independent, experienced certificated accounting firm to conduct a forensic audit of San Ysidro School District finances.

The recommendation will not be implemented because it is not reasonable. As already discussed under Finding 12 above, the District has already retained a California Financial Services to perform a

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San Ysidro School District “prohibits unlawful discrimination against and/or harassment of district employees and job applicants on the basis of actual or perceived race, color, national origin, ancestry, religious creed, age, marital status, pregnancy, physical or mental disability, medical condition, veteran status, gender or sexual orientation, at any district site and/or activity.” Board Policy 4030

comprehensive reconstruction audit of its Capital Facility Fund revenue/funding sources and project expenditure activities including the 1997 Bond Program funds and expenditures. Consistent with State law, the District has a certificated accounting firm conduct annual audits of the District's finances and provides the report to the SDCOE and the State. In order to maintain a balanced budget, the District must be financially prudent in its decisions. A forensic audit of District's finances as a whole would be cost prohibitive costing hundreds of thousands of dollars.

Conclusion

The San Ysidro School District thanks the Civil Grand Jury for the opportunity to respond to its report.