

**SAN RAFAEL CITY
HIGH SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2016**



SAN RAFAEL CITY HIGH SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2016

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SAN RAFAEL CITY HIGH SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2016

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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
San Rafael City High School District
San Rafael, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Rafael City High School District, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Rafael City High School District, as of June 30, 2016, and the respective changes in financial position thereof for the fiscal 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 management's discussion and analysis on pages 3 through 10, budgetary comparison information on page 42, schedule of funding progress on page 43, schedule of proportionate share of the net pension liability on page 44, and schedule of contributions on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 49 to 52 and the schedule of expenditures of federal awards on page 53 are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 48 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the District's internal control over financial reporting and compliance.

Nigro+Nigro, PC

Murrieta, California
December 12, 2016

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2016

This discussion and analysis of San Rafael City High School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

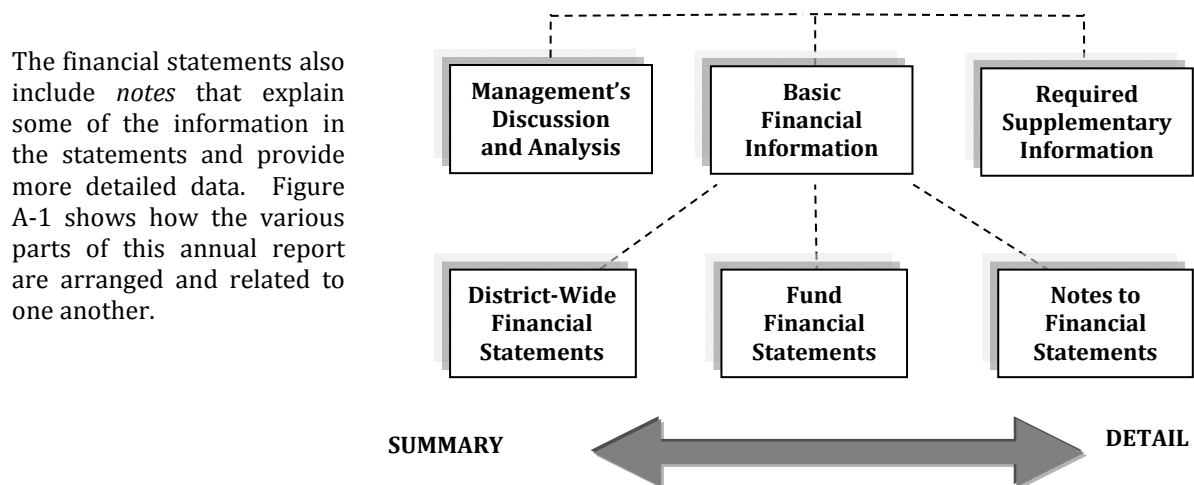
- Overall revenues were \$37.7 million, approximately \$2.2 million less than expenses.
- The total cost of basic programs was \$39.9 million. Because a portion of these costs was paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was just \$35.5 million.
- The District's long-term debt increased by approximately \$42.6 million.
- Second period (P2) average daily attendance (ADA) increased by 53, or 2.5%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - The *fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

Figure A-1. Organization of San Rafael City High School District's Annual Financial Report



SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

The district-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 District'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 district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements 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. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explain the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, namely, the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2016, than it was the year before – decreasing 14.6% to \$(17.2) million (See Table A-1).

Table A-1

	Governmental Activities		Variance
	2016	2015*	Increase (Decrease)
Current assets	\$ 55,844,263	\$ 19,325,516	\$ 36,518,747
Capital assets	53,374,491	55,350,687	(1,976,196)
Total assets	109,218,754	74,676,203	34,542,551
Total deferred outflows	6,617,079	2,643,730	3,973,349
Current liabilities	2,704,942	2,540,180	164,762
Long-term liabilities	126,453,809	83,827,668	42,626,141
Total liabilities	129,158,751	86,367,848	42,790,903
Total deferred inflows	3,904,374	5,979,028	(2,074,654)
Net position			
Net investment in capital assets	7,699,623	12,165,283	(4,465,660)
Restricted	9,807,430	5,835,142	3,972,288
Unrestricted	(34,734,345)	(33,027,368)	(1,706,977)
Total net position	\$ (17,227,292)	\$ (15,026,943)	\$ (2,200,349)

* As restated

Changes in net position, governmental activities. The District's total revenues increased 10.7% to \$37.7 million (See Table A-2). The increase is due primarily to increased local funding.

The total cost of all programs and services increased 11.9% to \$39.9 million. The District's expenses are predominantly related to educating and caring for students, 65.2%. The purely administrative activities of the District accounted for just 6.3% of total costs. A significant contributor to the increase in costs was the District's increased enrollment.

Table A-2

	Governmental Activities		Variance
	2016	2015	Increase (Decrease)
Total Revenues	\$ 37,726,282	\$ 34,071,943	\$ 3,654,339
Total Expenses	39,926,631	35,691,740	4,234,891
Increase (decrease) in net position	\$ (2,200,349)	\$ (1,619,797)	\$ (580,552)

SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT'S 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 \$54.0 million, which is above last year's ending fund balance of \$17.2 million. The primary cause of the increased fund balance is the issuance of \$35.0 million in general obligation bonds.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$0.9 million to reflect changes in federal, state, and local funding estimates.
- Salaries and benefits costs – increased \$0.7 million due to changes in staffing levels.
- Other non-capital expenditures – increased approximately \$1.7 million to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$2.2 million, the actual results for the year show that expenditures exceeded revenues by roughly \$0.1 million. Actual revenues were \$0.2 million more than anticipated, and expenditures were \$1.9 million more than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015-16 the District had invested \$1.2 million in new capital assets, related to San Rafael High renovations and equipment additions. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$3.1 million.

Table A-3: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Variance Increase (Decrease)
	2016	2015*	
Land	\$ 240,413	\$ 240,413	\$ -
Improvement of sites	3,052,365	3,177,209	(124,844)
Buildings	48,643,540	51,248,587	(2,605,047)
Equipment	585,991	684,478	(98,487)
Construction in progress	852,182	-	852,182
Total	\$ 53,374,491	\$ 55,350,687	\$ (1,976,196)

* As restated

SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end, the District had \$126.5 million in general obligation bonds, capital leases, and employment benefits – an increase of 50.8% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-4: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance Increase (Decrease)
	2016	2015	
General obligation bonds	\$ 94,559,705	\$ 58,536,493	\$ 36,023,212
Capital leases	56,684	88,279	(31,595)
Other postemployment benefits	3,621,642	3,146,435	475,207
Net pension liability	28,004,648	21,868,291	6,136,357
Compensated absences	211,130	188,170	22,960
Total	\$ 126,453,809	\$ 83,827,668	\$ 42,626,141

FACTORS BEARING ON THE DISTRICT'S FUTURE

Evolution of the Budget

The Legislature passed the final budget package on June 15, 2016. Total reserves in the final budget package were lower by only \$36 million compared to the Governor's proposal in May. Various choices were made to shift spending priorities compared to the Governor's proposal. Budget savings resulted from (1) reduced spending on state office buildings, (2) shifting funding for the construction of local jails from General Fund to bond funds, and (3) reduced retiree health spending due to lower than expected healthcare costs. Correspondingly, the final budget deal reflected higher spending for affordable housing programs, repealing the MFG policy, and various public safety programs.

The Governor signed the *2016-17 Budget Act* and 14 budget-related bills on June 27, 2016 and July 1, 2016. The Governor did not veto any appropriations.

Proposition 98

State budgeting for schools and community colleges is based primarily on Proposition 98, approved by voters in 1988 and amended in 1990. Below, we provide an overview of Proposition 98 funding and spending changes under the enacted budget package. We then highlight Proposition 98 spending changes specifically for K-12 education.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Minimum Guarantee

Proposition 98 Funding Revised Upward Across Three-Year Period

Proposition 98 establishes a minimum funding requirement commonly called the minimum guarantee. Compared with the estimates from June 2015, the 2014-15 and 2015-16 guarantees have increased by \$843 million and \$641 million, respectively. These upward revisions are due primarily to increases in state revenue relative to the amounts assumed in last year's budget package. The estimate of the 2016-17 minimum guarantee is \$3.5 billion (5.1 percent) higher than the *2015-16 Budget Act* level.

Two Key Drivers of Increase in 2016-17

Total funding for all segments in 2016-17 is \$71.9 billion, a \$2.8 billion (4.1 percent) increase above the revised 2015-16 level. This change in the guarantee reflects 3.6 percent growth in the "Test 3 factor" combined with a supplemental appropriation of \$502 million. The Test 3 factor consists of 3.1 percent growth in per capita General Fund plus an additional 0.5 percent increase set forth in the State Constitution. The supplemental appropriation ensures that the minimum guarantee grows at least as quickly as the rest of the state budget.

Increase Covered About Evenly From Higher State General Fund and Local Property Tax Revenue

Of total Proposition 98 funding in 2016-17, \$51.1 billion is state General Fund and \$20.8 billion is local property tax revenue. From 2015-16 to 2016-17, state General Fund increases by \$1.3 billion (accounting for slightly less than half of the \$2.8 billion increase in the guarantee) and local property tax revenue increases by \$1.5 billion (accounting for slightly more than half of the increase in the guarantee). The primary factor explaining the growth in property tax revenue is the strong 6.2 percent increase in assessed property values. In addition, the budget plan assumes property tax revenue increases by \$419 million due to the triple flip ending, thereby completing the shift of revenue from cities, counties, and special districts to school districts and community colleges.

New Maintenance Factor Created in 2016-17

In 2014-15, General Fund tax revenue increased by 11 percent over the prior-year level, resulting in a maintenance factor payment of \$5.7 billion—the largest payment the state has ever made. In 2015-16, the budget assumes the state makes an additional maintenance factor payment of \$379 million, reducing the total outstanding obligation to \$155 million. In 2016-17, the budget assumes the state creates \$746 million in new maintenance factor. The amount of new maintenance factor created is based on the difference between the Proposition 98 Test 2 and Test 3 factors. In 2016-17, growth in the Test 2 factor (per capita personal income) is strong (5.4 percent) relative to growth in the Test 3 factor (3.6 percent).

K-12 Education

\$63.3 Billion Proposition 98 Funding for K-12 Education and Preschool Combined

This 2016-17 level is \$2.5 billion (4.1 percent) more than revised 2015-16 funding and \$3.7 billion (6.3 percent) more than the *2015-16 Budget Act* level. The budget increases funding per student by \$440 (4.3 percent) over the *2015-16 Budget Act* level, bringing Proposition 98 funding per student up to \$10,657.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

New Spending

Significant Discretionary One-Time Funding

The largest one-time augmentation for K-12 education is \$1.3 billion that LEAs may use for any locally determined purpose. Funding would be distributed based on average daily attendance. If an LEA has unpaid mandate claims, funding would pay all or a portion of those claims. As many LEAs do not have any unpaid claims, we estimate only about half (\$617 million) of the funding provided would reduce the K-12 mandates backlog. We estimate the outstanding K-12 mandates backlog will be \$987 million at the end of 2016-17.

All of these factors were considered in preparing the San Rafael City High School District budget for the 2016-17 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (415) 492-3205.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT*Statement of Net Position**June 30, 2016*

	Total Governmental Activities
ASSETS	
Cash	\$ 54,037,304
Investments	427,622
Accounts receivable	1,376,848
Inventories	2,489
Non-depreciable capital assets	1,092,595
Depreciable capital assets	105,836,536
Less: accumulated depreciation	<u>(53,554,640)</u>
Total assets	<u>109,218,754</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding	901,856
Deferred outflows of resources - pensions	<u>5,715,223</u>
Total deferred outflows of resources	<u>6,617,079</u>
LIABILITIES	
Accounts payable	2,670,188
Unearned revenues	34,754
Long-term liabilities:	
Due within one year	3,648,840
Due after one year	<u>122,804,969</u>
Total liabilities	<u>129,158,751</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	<u>3,904,374</u>
NET POSITION	
Net investment in capital assets	7,699,623
Restricted for:	
Capital projects	1,605,394
Debt service	6,780,009
Categorical programs	1,422,027
Unrestricted	<u>(34,734,345)</u>
Total net position	<u><u>\$ (17,227,292)</u></u>

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 18,537,402	\$ -	\$ 2,814,799	\$ (15,722,603)
Instruction-related services:				
Supervision of instruction	1,473,460	-	280,349	(1,193,111)
Instructional library, media and technology	725,040	-	76,560	(648,480)
School site administration	2,176,477	-	56,440	(2,120,037)
Pupil services:				
Home-to-school transportation	525,997	-	58,892	(467,105)
Food services	638,506	106,246	491,368	(40,892)
All other pupil services	1,975,132	-	232,582	(1,742,550)
General administration:				
Data processing	347,984	-	8,527	(339,457)
All other general administration	2,186,194	5,429	100,682	(2,080,083)
Plant services	3,751,660	-	5,912	(3,745,748)
Ancillary services	530,766	-	9,837	(520,929)
Community services	83,966	-	-	(83,966)
Interest on long-term debt	3,157,485	-	-	(3,157,485)
Other outgo	660,826	-	133,707	(527,119)
Depreciation (unallocated)	3,155,736	-	-	(3,155,736)
Total governmental activities	<u>\$ 39,926,631</u>	<u>\$ 111,675</u>	<u>\$ 4,269,655</u>	<u>(35,545,301)</u>
General Revenues:				
Property taxes				30,068,108
Federal and state aid not restricted to specific purposes				2,603,287
Interest and investment earnings				71,996
Miscellaneous				<u>601,561</u>
Total general revenues				<u>33,344,952</u>
Change in net position				<u>(2,200,349)</u>
Net position- July 1, 2015, as originally stated				(32,610,889)
Adjustment for restatement (Note 13)				<u>17,583,946</u>
Net position - July 1, 2015, as restated				<u>(15,026,943)</u>
Net position - June 30, 2016				<u>\$ (17,227,292)</u>

SAN RAFAEL CITY HIGH SCHOOL DISTRICT*Balance Sheet – Governmental Funds**June 30, 2016*

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 11,047,474	\$ 34,567,605	\$ 6,780,009	\$ 1,642,216	\$ 54,037,304
Investments	-	427,622	-	-	427,622
Accounts receivable	1,283,943	-	-	92,905	1,376,848
Due from other funds	32,008	-	-	670	32,678
Inventories	-	-	-	2,489	2,489
Total Assets	<u>\$ 12,363,425</u>	<u>\$ 34,995,227</u>	<u>\$ 6,780,009</u>	<u>\$ 1,738,280</u>	<u>\$ 55,876,941</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 1,751,957	\$ 77,916	\$ -	\$ 12,732	\$ 1,842,605
Due to other funds	670	-	-	32,008	32,678
Unearned revenue	18,019	-	-	16,735	34,754
Total Liabilities	<u>1,770,646</u>	<u>77,916</u>	<u>-</u>	<u>61,475</u>	<u>1,910,037</u>
Fund Balances					
Nonspendable	5,600	-	-	2,529	8,129
Restricted	1,350,616	34,917,311	6,780,009	1,674,276	44,722,212
Assigned	6,602,621	-	-	-	6,602,621
Unassigned	2,633,942	-	-	-	2,633,942
Total Fund Balances	<u>10,592,779</u>	<u>34,917,311</u>	<u>6,780,009</u>	<u>1,676,805</u>	<u>53,966,904</u>
Total Liabilities and Fund Balances	<u>\$ 12,363,425</u>	<u>\$ 34,995,227</u>	<u>\$ 6,780,009</u>	<u>\$ 1,738,280</u>	<u>\$ 55,876,941</u>

SAN RAFAEL CITY HIGH SCHOOL DISTRICT***Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016***

Total fund balances - governmental funds \$ 53,966,904

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$106,929,131, and the accumulated depreciation is (\$53,554,640). 53,374,491

Deferred amount on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amount on refunding at the end of the period was: 901,856

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 unmatured interest owing at the end of the period was: (827,583)

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 related to pensions are reported as follows:

Deferred outflows of resources	5,715,223	
Deferred inflows of resources	<u>(3,904,374)</u>	1,810,849

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

General obligation bonds payable	94,559,705	
Compensated absences payable	211,130	
Net pension liability	28,004,648	
Other postemployment benefits	3,621,642	
Capital leases payable	<u>56,684</u>	<u>(126,453,809)</u>

Total net position - governmental activities \$ (17,227,292)

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2016

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 23,821,121	\$ -	\$ -	\$ -	\$ 23,821,121
Federal sources	753,514	-	-	382,181	1,135,695
Other state sources	2,899,941	-	24,147	32,716	2,956,804
Other local sources	5,137,024	45,927	4,257,460	565,116	10,005,527
Total Revenues	32,611,600	45,927	4,281,607	980,013	37,919,147
EXPENDITURES					
Current:					
Instruction	18,162,840	-	-	-	18,162,840
Instruction-related services:					
Supervision of instruction	1,490,788	-	-	-	1,490,788
Instructional library, media and technology	697,890	-	-	-	697,890
School site administration	2,166,727	-	-	-	2,166,727
Pupil support services:					
Home-to-school transportation	525,997	-	-	-	525,997
Food services	-	-	-	641,439	641,439
All other pupil services	1,976,785	-	-	-	1,976,785
Ancillary services	538,530	-	-	-	538,530
Community services	82,915	-	-	-	82,915
General administration services:					
Data processing services	351,137	-	-	-	351,137
Other general administration	2,163,596	-	-	-	2,163,596
Plant services	3,697,609	55,360	-	51,405	3,804,374
Transfers of indirect costs	(31,018)	-	-	31,018	-
Capital outlay	267,716	587,821	-	191,787	1,047,324
Intergovernmental transfers	660,826	-	-	-	660,826
Debt service:					
Principal	31,595	-	3,030,000	-	3,061,595
Interest	1,384	-	1,022,500	-	1,023,884
Issuance costs	-	357,500	-	-	357,500
Total Expenditures	32,785,317	1,000,681	4,052,500	915,649	38,754,147
Excess (Deficiency) of Revenues Over (Under) Expenditures	(173,717)	(954,754)	229,107	64,364	(835,000)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	35,000	-	-	1,319,852	1,354,852
Interfund transfers out	-	(1,319,852)	-	(35,000)	(1,354,852)
Premiums on bond issuance	-	157,500	2,407,776	-	2,565,276
Proceeds from bond issuance	-	35,000,000	-	-	35,000,000
Total Other Financing Sources and Uses	35,000	33,837,648	2,407,776	1,284,852	37,565,276
Net Change in Fund Balances	(138,717)	32,882,894	2,636,883	1,349,216	36,730,276
Fund Balances, July 1, 2015	10,731,496	2,034,417	4,143,126	327,589	17,236,628
Fund Balances, June 30, 2016	\$ 10,592,779	\$ 34,917,311	\$ 6,780,009	\$ 1,676,805	\$ 53,966,904

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities For the Fiscal Year Ended June 30, 2016

Total net change in fund balances - governmental funds \$ 36,730,276

Amounts reported for governmental *activities* in the statement of activities are different because:

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

Expenditures for capital outlay	1,185,407	
Depreciation expense	<u>(3,155,736)</u>	(1,970,329)

Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Expenditures for the repayment of the principal portion of long-term liabilities were:

3,061,595

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. Accreted interest earned exceeded accreted interest paid by:

(1,711,854)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these amounts are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between the current year charges and the current year amortization is:

(69,374)

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 that 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 is:

(376,291)

In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amount recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(37,565,276)

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

(18,980)

In governmental funds, if debt is issued at a premium, the premium is recognized as an other financing source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. The premium amortized for the period is:

223,918

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

(475,207)

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets the resulting gain or loss is:

(5,867)

In the statement of activities, certain operating expenses such as compensated absences are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences earned exceeded the amounts used by:

(22,960)

Change in net position of governmental activities

\$ (2,200,349)

SAN RAFAEL CITY HIGH SCHOOL DISTRICT*Statement of Fiduciary Net Position**June 30, 2016*

	Agency Funds Student Body Funds
ASSETS	
Cash	\$ 158,145
Other assets	<u>10,288</u>
Total assets	<u><u>\$ 168,433</u></u>
LIABILITIES	
Due to student groups	<u>\$ 168,433</u>
Total liabilities	<u><u>\$ 168,433</u></u>

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Rafael City High School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

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 San Rafael City High School District, this includes general operations, food service, and student related activities of the District.

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

The District has identified no organizations that are required to be reported as component units.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial 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 revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

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

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District also maintains an Adult Education Fund, a Deferred Maintenance Fund, and a Special Reserve Fund for Postemployment Benefits. Under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, the Adult Education Fund and the Deferred Maintenance Fund do not currently meet the definition of special revenue funds as they are no longer primarily composed of restricted or committed revenue sources. In addition, the Special Reserve Fund for Postemployment Benefits is not substantially composed of restricted or committed revenue sources. Because these funds do not meet the definition of special revenue funds under GASB 54, the activity in those funds is being reported within the General Fund.

Building Fund: This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds and bond anticipation notes.

Bond Interest and Redemption Fund: This fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Revenue Fund:

Cafeteria Fund: This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

Capital Projects Funds:

Capital Facilities Fund: This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary fund:

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting

Government-Wide and Fiduciary Fund Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and 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. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. 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 budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

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

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. 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 combined 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.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position 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. The District has items that qualify for reporting in this category. The first item is to recognize the District's proportionate share of the deferred outflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans". The second is deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position 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 will not be recognized as an inflow of resources (revenue) until that time. The District has an item that qualifies for reporting in this category. This item is to recognize the District's proportionate share of the deferred inflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans".

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. Pensions

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

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

9. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Net Position (continued)

- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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.

F. Minimum Fund Balance Policy

During the 2010-11 fiscal year, pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than five percent of total General Fund expenditures and other financing uses.

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

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements

During the 2015-16 fiscal year, the following GASB Pronouncements became effective:

1. Statement No. 72, *Fair Value Measurement and Application* (Issued 02/15)

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

2. Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (Issued 06/15)

The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

3. Statement No. 79, *Certain External Investment Pools and Pool Participants* (Issued 12/15)

This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2016, are reported at fair value and consisted of the following:

	Governmental Activities/ Funds	Fiduciary Funds
Pooled Funds:		
Cash in county treasury	\$ 54,026,264	\$ -
Total Pooled Funds	54,026,264	-
Deposits:		
Cash on hand and in banks	5,400	158,145
Cash in revolving fund	5,640	-
Total Deposits	11,040	158,145
Total Cash	\$ 54,037,304	\$ 158,145
Investments:		
Local Agency Investment Fund	\$ 427,622	

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2016, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits

Custodial credit risk 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. Cash balances held in banks are insured up to \$250,000 by the Federal Depositary Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits (continued)

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, none of the District's bank balance was exposed to custodial credit risk because it was insured by the FDIC.

Investments - Interest Rate Risk

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2016 consist of the following:

	Fair Value	Maturity	
		Less Than One Year	One Year Through Five Years
Investment maturities:			
Local Agency Investment Fund	\$ 427,622	\$ 427,622	\$ -

Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2016, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2016, the District had the following investments that represents more than five percent of the District's net investments.

Local Agency Investment Fund	100%
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SAN RAFAEL CITY HIGH SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2016*

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government:			
Categorical aid programs	\$ 444,673	\$ 52,907	\$ 497,580
State Government:			
Lottery	258,631	-	258,631
Categorical aid programs	-	4,670	4,670
Local:			
Other local resources	580,639	-	580,639
Miscellaneous	-	35,328	35,328
Total	<u>\$ 1,283,943</u>	<u>\$ 92,905</u>	<u>\$ 1,376,848</u>

NOTE 4 – INTERFUND TRANSACTIONS**A. Balances Due To/From Other Funds**

Balances due to/from other funds at June 30, 2016, consisted of the following:

General Fund due to Cafeteria Fund for negative student balance write-offs	\$ 670
Cafeteria Fund due to General Fund for cost reimbursements	991
Cafeteria Fund due to General Fund for indirect costs	31,017
Total	<u>\$ 32,678</u>

B. Transfers To/From Other Funds

Transfers to/from other funds at June 30, 2016, consisted of the following:

Building Fund transfer to Special Reserve Fund for Capital Outlay Projects to clear pre-bond facility use and rent revenue from fund	\$ 1,319,852
Special Reserve Fund for Capital Outlay Projects transfer to General Fund for facilities use fees	35,000
Total	<u>\$ 1,354,852</u>

SAN RAFAEL CITY HIGH SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2016*

NOTE 5 – FUND BALANCES

At June 30, 2016, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	\$ 5,600	\$ -	\$ -	\$ 40	\$ 5,640
Inventories	-	-	-	2,489	2,489
Total Nonspendable	5,600	-	-	2,529	8,129
Restricted:					
Categorical programs	1,350,616	-	-	-	1,350,616
Food services program	-	-	-	68,882	68,882
Capital projects	-	34,917,311	-	1,605,394	36,522,705
Debt service	-	-	6,780,009	-	6,780,009
Total Restricted	1,350,616	34,917,311	6,780,009	1,674,276	44,722,212
Assigned:					
Local site donations-carryover	44,685	-	-	-	44,685
Cash flow contingency	1,100,000	-	-	-	1,100,000
EPA	76,199	-	-	-	76,199
Remaining basic aid reserve	3,101,800	-	-	-	3,101,800
Postemployment benefits	2,003,522	-	-	-	2,003,522
Adult education program	11,103	-	-	-	11,103
Deferred maintenance program	265,312	-	-	-	265,312
Total Assigned	6,602,621	-	-	-	6,602,621
Unassigned:					
Reserve for economic uncertainties	1,625,500	-	-	-	1,625,500
Remaining unassigned balances	1,008,442	-	-	-	1,008,442
Total Unassigned	2,633,942	-	-	-	2,633,942
Total	\$ 10,592,779	\$ 34,917,311	\$ 6,780,009	\$ 1,676,805	\$ 53,966,904

SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Original Balance, July 1, 2015	Adjustments for Restatements	Restated Balance, July 1, 2015	Additions	Retirements	Balance, June 30, 2016
Capital assets not being depreciated:						
Land	\$ 240,413	\$ -	\$ 240,413	\$ -	\$ -	\$ 240,413
Construction in progress	221,156	(221,156)	-	852,182	-	852,182
Total capital assets not being depreciated	461,569	(221,156)	240,413	852,182	-	1,092,595
Capital assets being depreciated:						
Improvement of sites	14,175,763	(3,843,280)	10,332,483	236,254	-	10,568,737
Buildings	60,990,185	32,341,280	93,331,465	32,583	-	93,364,048
Equipment	1,924,524	(41,844)	1,882,680	64,388	43,317	1,903,751
Total capital assets being depreciated	77,090,472	28,456,156	105,546,628	333,225	43,317	105,836,536
Accumulated depreciation for:						
Improvement of sites	(9,457,364)	2,302,090	(7,155,274)	(361,098)	-	(7,516,372)
Buildings	(28,970,549)	(13,112,329)	(42,082,878)	(2,637,630)	-	(44,720,508)
Equipment	(1,357,387)	159,185	(1,198,202)	(157,008)	(37,450)	(1,317,760)
Total accumulated depreciation	(39,785,300)	(10,651,054)	(50,436,354)	(3,155,736)	(37,450)	(53,554,640)
Total capital assets being depreciated, net	37,305,172	17,805,102	55,110,274	(2,822,511)	5,867	52,281,896
Governmental activity capital assets, net	\$ 37,766,741	\$ 17,583,946	\$ 55,350,687	\$ (1,970,329)	\$ 5,867	\$ 53,374,491

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2016, were as follows:

	Balance, July 1, 2015	Additions	Deductions	Balance, June 30, 2016	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	\$ 42,595,315	\$ 35,000,000	\$ 3,030,000	\$ 74,565,315	\$ 3,350,000
Accreted interest	13,404,951	1,711,854	-	15,116,805	-
Unamortized premium, net	2,536,227	2,565,276	223,918	4,877,585	266,669
Total - Bonds	58,536,493	39,277,130	3,253,918	94,559,705	3,616,669
Capital Leases	88,279	-	31,595	56,684	32,171
Other Postemployment Benefits	3,146,435	475,207	-	3,621,642	-
Net Pension Liability	21,868,291	6,136,357	-	28,004,648	-
Compensated Absences	188,170	22,960	-	211,130	-
Totals	\$ 83,827,668	\$ 45,911,654	\$ 3,285,513	\$ 126,453,809	\$ 3,648,840

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Capital leases payments are made by the General Fund. Compensated absences and employment benefits will be paid for by the fund for which the employee worked.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds

Election of 1999

An election was held on December 7, 1999, at which more than two-thirds of the voters in the District authorized the issuance and sale of \$13.0 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of, the interest on, and the principal of the bonds. Bond proceeds were used to repair roofs, replace fire alarms, replace portable classrooms with permanent classrooms, make earthquake safety improvements, renovate and update classrooms, acquire school facilities, and improve school sites and facilities.

Election of 2002

An election was held on November 5, 2002, at which time more than fifty-five percent of the voters in the District authorized the issuance and sale of \$49.5 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of, the interest on, and the principal of the bonds. Bond proceeds were used to finance the upgrading, construction, acquisition and equipping of school libraries, art facilities, classrooms, and science labs, modernization of plumbing, bathroom, and locker facilities, upgrading of technology infrastructure, installation of energy efficient heating and cooling systems, removal of hazardous conditions, and to pay all necessary legal, financial, and contingent costs associated with the bonds.

Election of 2015

An election was held on November 3, 2015, at which time more than fifty-five percent of the voters in the District authorized the issuance and sale of \$160.5 million of general obligation bonds. Bond proceeds were used to finance the repair, upgrading, acquisition, construction, and equipping of certain district property and facilities and to pay the costs of issuing the bonds.

2011 Refunding General Obligation Bonds

On July 21, 2011, the District issued \$28,125,000 of Refunding General Obligation Bonds. The bonds bear fixed interest rates averaging 3.4 percent with annual maturities from August 1, 2012 through August 1, 2028. The net proceeds of \$30,768,168 (after premiums of \$2,907,891 and issuance costs of \$264,723) were used to prepay a portion of the District's outstanding General Obligation Bonds.

Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding of \$901,856 remain to be amortized. As of June 30, 2016, the principal balance outstanding on the defeased debt has been fully repaid.

A summary of outstanding general obligation bonds issued is presented below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2015	Additions	Deductions	Balance, June 30, 2016
2002B	8/4/2004	8/1/2029	4.93%-5.70%	\$ 39,495,315	\$ 18,025,315	\$ -	\$ -	\$ 18,025,315
2011Ref.	7/21/2011	8/1/2028	2.0%-5.0%	28,125,000	24,570,000	-	3,030,000	21,540,000
2015A	3/10/2016	8/1/2045	3.0%-5.0%	35,000,000	-	35,000,000	-	35,000,000
					<u>\$ 42,595,315</u>	<u>\$ 35,000,000</u>	<u>\$ 3,030,000</u>	<u>\$ 74,565,315</u>

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 7 – GENERAL LONG-TERM DEBT

A. General Obligation Bonds (continued)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2016, were as follows:

Fiscal Year	Principal	Interest	Total
2016-2017	\$ 3,350,000	\$ 2,109,439	\$ 5,459,439
2017-2018	7,935,000	2,052,525	9,987,525
2018-2019	6,411,377	3,409,848	9,821,225
2019-2020	2,622,548	3,479,452	6,102,000
2020-2021	2,702,663	3,626,437	6,329,100
2021-2026	14,948,205	20,385,945	35,334,150
2026-2031	11,830,521	21,261,004	33,091,525
2031-2036	4,355,000	4,508,225	8,863,225
2036-2041	7,780,000	3,361,950	11,141,950
2041-2046	12,630,000	1,354,400	13,984,400
Total	<u>\$ 74,565,315</u>	<u>\$ 65,549,225</u>	<u>\$ 140,114,539</u>

B. Capital Leases

The District leases maintenance trucks under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Fiscal Year	Lease Payment
2016-17	\$ 32,980
2017-18	<u>24,734</u>
Less amount representing interest	<u>(1,030)</u>
Present value of minimum lease payments	<u>\$ 56,684</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for the equipment.

NOTE 8 – JOINT VENTURES

The San Rafael City High School District participates in a joint venture under a joint powers agreement (JPA), the Marin Schools Insurance Authority (MSIA). The relationship between the San Rafael City High School District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and provide workers' compensation, property and liability and health insurance for its member school districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 8 – JOINT VENTURES (continued)

Condensed unaudited financial information for the year ended June 30, 2016, is as follows:

	MSIA
Total Assets	<u>\$ 28,781,393</u>
Total Liabilities	<u>13,925,485</u>
Net Position	<u>\$ 14,855,908</u>
Operating Revenues	\$ 12,832,271
Operating Expenses	<u>1,421,562</u>
Operating Income (Loss)	11,410,709
Non-Operating Income (Expense)	<u>(450,338)</u>
Change in Net Position	<u>\$ 10,960,371</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

NOTE 10 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2016, the District participated in the MSIA public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2016, the District participated in the MSIA public entity risk pool for workers compensation, with excess coverage provided by the Schools Excess Liability Fund (SELF) public entity risk pool.

Employee Medical Benefits

The District has contracted with CalPERS to provide employee medical and surgical benefits. Additional dental benefits and basic life insurance benefits are provided through the MSIA public entity risk pool.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer defined benefit pension 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 California Public Employees' Retirement System (CalPERS).

A. General Information about the Pension Plans

Plan Descriptions

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. Benefit provisions under the Plan are established by State statute and District resolution. CalSTRS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalSTRS website.

The District also 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. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalSTRS provides retirement, disability, and death benefits. Retirement benefits are determined as 2 percent of final compensation for each year of credited service at age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, increasing to a maximum of 2.4 percent at age 63 for members under *CalSTRS 2% at 60*, or age 65 for members under *CalSTRS 2% at 62*. The normal retirement eligibility requirements are age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, with a minimum of five years of service credited under the Defined Benefit Program, which can include service purchased from teaching in an out-of-state or foreign public school. Employees are eligible for service-related disability benefits after five years of service, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year. Disability benefits are equal to fifty percent of final compensation regardless of age and service credit. Designated recipients of CalSTRS retired members receive a \$6,163 lump-sum death payment. There is a 2 percent simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue. The annual 2 percent increase is applied to all continuing benefits other than Defined Benefit Supplement annuities. However, if the member retires with a Reduced Benefit Election, the increase does not begin to accrue until the member reaches age 60 and is not payable until the member receives the full benefit. This increase is also known as the improvement factor.

CalPERS also provides retirement, disability, and death benefits. Retirement benefits are determined as 1.1 percent of final compensation for each year of credited service at age 50 for members under *2% at 55*, or 1.0 percent at age 52 for members under *2% at 62*, increasing to a maximum of 2.5 percent at age 63 for members under *2% at 55*, or age 67 for members under *2% at 62*. To be eligible for service retirement, members must be at least age 50 and have a minimum of five years of CalPERS-credited service. Members joining on or after January 1, 2013 must be at least age 52. Disability retirement has no minimum age requirement and the disability does not have to be job related. However, members must have a minimum of five years of CalPERS service credit.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 11 – PENSION PLANS (continued)

A. General Information about the Pension Plans (continued)

Benefits Provided (continued)

Pre-retirement death benefits range from a simple return of member contributions plus interest to a monthly allowance equal to half of what the member would have received at retirement paid to a spouse or domestic partner. To be eligible for any type of monthly pre-retirement death benefit, a spouse or domestic partner must have been either married to the member or legally registered before the occurrence of the injury or the onset of the illness that resulted in death, or for at least one year prior to death. Cost-of-living adjustments are provided by law and are based on the Consumer Price Index for all United States cities. Cost-of-living adjustments are paid the second calendar year of the member's retirement on the May 1 check and then every year thereafter. The standard cost-of-living adjustment is a maximum of 2 percent per year.

Contributions

Active CalSTRS plan members under 2% at 60 were required to contribute 9.2% and plan members under 2% at 62 were required to contribute 8.56% of their salary in 2015-16. The required employer contribution rate for fiscal year 2015-16 was 10.73% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The required employer contribution for fiscal year 2015-16 was 11.847%. The contribution requirements of the plan members are established by State statute.

For the fiscal year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS
Employer contributions	\$ 1,532,236	\$ 477,058
Employee contributions paid by employer	\$ -	\$ -
Employee contributions paid by the State	\$ 890,394	\$ -

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 20,870,440
CalPERS	7,134,208
Total Net Pension Liability	<u>\$ 28,004,648</u>

SAN RAFAEL CITY HIGH SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2016*

NOTE 11 – PENSION PLANS (continued)**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	CalSTRS	CalPERS
Proportion - June 30, 2014	0.0280%	0.0485%
Proportion - June 30, 2015	0.0310%	0.0484%
Change - Increase (Decrease)	0.0030%	-0.0001%

For the year ended June 30, 2016, the District recognized pension expense of \$1,187,879. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,009,294	\$ -
Differences between actual and expected experience	407,730	(348,750)
Changes in assumptions	-	(438,346)
Adjustment due to differences in proportions	2,126,481	-
Net differences between projected and actual earnings on plan investments	1,171,718	(3,117,278)
	<u>\$ 5,715,223</u>	<u>\$ (3,904,374)</u>

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The total amount of \$2,009,294 reported as deferred outflows of resources related to 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 as pension expense as follows:

Year Ended	
June 30,	Amount
2017	\$ (284,868)
2018	(266,533)
2019	211,448
2020	(49,821)
2021	(49,821)
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.00%	2.75%
Wage Growth	3.75%	Varies
Post-retirement Benefit Increase	2.00%	2.00%
Investment Rate of Return	7.60%	7.65%

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. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information. The underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2014 valuation were based on the results of an April 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – for CalSTRS

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 increase per Assembly Bill 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 STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate – for CalSTRS (continued)

Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate – for CalPERS

The discount rate used to measure the total pension liability for PERF B was 7.65 percent. A projection of expected benefit payments and contributions was performed to determine if the 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 PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

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. Using historical returns of all of 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.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

The table below reflects the 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 rates of return are net of administrative expenses.

Asset Class	Target Allocation		Long-Term Expected Rate of Return	
	CalSTRS	CalPERS	CalSTRS	CalPERS
Global Equity	47%	51%	4.50%	5.71%
Global Debt Securities	N/A	19%	N/A	2.43%
Inflation Sensitive	5%	6%	3.20%	3.36%
Private Equity	12%	10%	6.20%	6.95%
Real Estate	15%	10%	4.35%	5.13%
Infrastructure and Forestland	N/A	2%	N/A	5.09%
Fixed Income	20%	N/A	0.20%	N/A
Liquidity	1%	2%	0.00%	-1.05%
	100%	100%		

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Sensitivity of the 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 for each Plan, calculated using the discount rate for each Plan, 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 or 1-percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	\$ 31,512,740	\$ 11,611,517
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 20,870,440	\$ 7,134,208
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 12,025,830	\$ 3,411,025

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

C. Payable to the Pension Plans

At June 30, 2016, the District reported no payable for outstanding contributions to the CalSTRS and CalPERS pension plans for the fiscal year ended June 30, 2016.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

San Rafael City High School 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. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	105
Active plan members*	234
Total	339

* As of January 1, 2014, actuarial valuation

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Eligibility

Employees are eligible for retiree health benefits if they satisfy the following requirements:

Classified	Retirees who are at least 55 and have at least 10 consecutive full-time years of service with the District.
Certificated	Retirees who are at least 55 and have at least 10 consecutive full-time years of service with the District.

District Benefits

Classified	The District will pay the minimum monthly premium amount specified by PEMHCA, and the retiree will pay the remaining premium amount. The minimum is \$83.30 per month for 2014.
Certificated	The District will pay the minimum monthly premium amount specified by PEMHCA, and the retiree will pay the remaining premium amount. The minimum is \$83.30 per month for 2014. In addition, the District will pay an additional \$276.00 per month toward the cost of medical and dental benefits for five years after retirement or until age 65, whichever comes first, for employees who retired before June 8, 2012. For employees who retire after June 9, 2012, the additional amount paid by the District will be \$300.00 for 10-14 years of service, \$400.00 for 15-19 years of service, or \$608.00 for 20 years or more of service.

Survivor Benefits

District's contribution stops after retiree's death, surviving spouse may continue to pay the PEMHCA minimum monthly contribution amount to continue PEMHCA health coverage.

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 fiscal year 2015-16, the District contributed \$134,826.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 liabilities (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:

Annual required contribution (ARC)	\$ 691,149
Interest on net OPEB obligation	117,991
Adjustment to ARC	(199,107)
Annual OPEB cost	610,033
Contributions made	(134,826)
Increase (decrease) in net OPEB obligation	475,207
Net OPEB liability - July 1, 2015	3,146,435
Net OPEB liability - June 30, 2016	<u>\$ 3,621,642</u>

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015-16 and the preceding two years are as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 570,065	22.1%	\$ 2,653,943
2015	\$ 627,166	21.5%	\$ 3,146,435
2016	\$ 610,033	22.1%	\$ 3,621,642

Funded Status and Funding Progress – OPEB Plans

As of January 1, 2014, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$5.4 million and the unfunded actuarial accrued liability (UAAL) was \$5.4 million.

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, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 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 designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2014
Actuarial Cost Method	Projected Unit Benefit Cost
Amortization Method	Level Dollar
Remaining Amortization Period	24 years
Asset Valuation	N/A
Actuarial assumptions:	
Investment rate of return	3.75%
Healthcare cost trend rate	4.0%

NOTE 13 – ADJUSTMENT FOR RESTATEMENT

The beginning net position on the Statement of Activities was restated by \$17,583,946 due to the District having a review conducted of its capital assets and reports being reconciled.

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Required Supplementary Information

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SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual*	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF Sources	\$ 23,554,756	\$ 23,736,454	\$ 23,651,121	\$ (85,333)
Federal Sources	845,563	1,134,046	753,514	(380,532)
Other State Sources	1,999,053	2,106,706	2,899,942	793,236
Other Local Sources	4,947,522	5,222,787	5,132,238	(90,549)
Total Revenues	31,346,894	32,199,993	32,436,815	236,822
Expenditures				
Current:				
Certificated Salaries	14,362,442	14,827,699	14,680,474	147,225
Classified Salaries	4,350,061	4,529,262	4,253,053	276,209
Employee Benefits	5,879,790	5,907,916	6,408,428	(500,512)
Books and Supplies	1,787,604	2,852,136	1,528,166	1,323,970
Services and Other Operating Expenditures	4,926,479	5,487,462	4,890,447	597,015
Capital Outlay	50,000	98,648	86,145	12,503
Intergovernmental Transfers	604,296	632,926	629,809	3,117
Debt Service	32,981	33,094	32,979	115
Total Expenditures	31,993,653	34,369,143	32,509,501	1,859,642
Excess (Deficiency) of Revenues Over (Under) Expenditures	(646,759)	(2,169,150)	(72,686)	2,096,464
Other Financing Sources (Uses)				
Interfund transfer in	35,000	195,750	195,750	-
Total Other Financing Sources and Uses	35,000	195,750	195,750	-
Net Change in Fund Balance	(611,759)	(1,973,400)	123,064	2,096,464
Fund Balance, July 1, 2015	8,189,779	8,189,779	8,189,779	-
Fund Balance, June 30, 2016	\$ 7,578,020	\$ 6,216,379	\$ 8,312,843	\$ 2,096,464

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

SAN RAFAEL CITY HIGH SCHOOL DISTRICT*Schedule of Funding Progress**For the Fiscal Year Ended June 30, 2016*

Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2010	\$ -	\$ 4,059,805	\$ 4,059,805	0.0%	N/A	N/A
January 1, 2012	\$ -	\$ 4,943,154	\$ 4,943,154	0.0%	N/A	N/A
January 1, 2014	\$ -	\$ 5,416,309	\$ 5,416,309	0.0%	N/A	N/A

SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2016

	Last Ten Fiscal Years*	
	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset):		
CalSTRS	0.0310%	0.0280%
CalPERS	0.0484%	0.0485%
District's proportionate share of the net pension liability (asset):		
CalSTRS	\$ 20,870,440	\$ 16,362,360
CalPERS	\$ 7,134,208	\$ 5,505,931
District's covered-employee payroll:		
CalSTRS	\$ 13,677,185	\$ 12,495,200
CalPERS	\$ 3,890,638	\$ 3,741,592
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll:		
CalSTRS	152.6%	130.9%
CalPERS	183.4%	147.2%
Plan fiduciary net position as a percentage of the total pension liability:		
CalSTRS	76.5%	76.5%
CalPERS	83.4%	83.4%

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

SAN RAFAEL CITY HIGH SCHOOL DISTRICT*Schedule of Contributions**For the Fiscal Year Ended June 30, 2016*

	Last Ten Fiscal Years*	
	<u>2014</u>	<u>2014</u>
Actuarially determined contribution:		
CalSTRS	\$ 1,214,534	\$ 1,030,854
CalPERS	\$ 457,967	\$ 428,113
Contributions in relation to the actuarially determined contribution:		
CalSTRS	\$ 1,214,534	\$ 1,030,854
CalPERS	<u>\$ 457,967</u>	<u>\$ 428,113</u>
Contribution deficiency (excess):		
CalSTRS	<u>\$ -</u>	<u>\$ -</u>
CalPERS	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll:		
CalSTRS	\$ 13,677,185	\$ 12,495,200
CalPERS	\$ 3,890,638	\$ 3,741,592
Contributions as a percentage of covered-employee payroll:		
CalSTRS	8.88%	8.25%
CalPERS	11.771%	11.442%

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

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

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

NOTE 2 – SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS

Benefit Changes

There were no changes to benefit terms that applied to all members of the Schools Pool.

Changes of Assumptions

The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2016, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

<u>Appropriations Category</u>	<u>Excess Amount</u>
Employee Benefits	\$ 500,512

Supplementary Information

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SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2016

The San Rafael City High School District was established in 1861. The District boundaries encompass the city of San Rafael, as well as small portions of the city of Larkspur and the town of Ross and some unincorporated areas of central Marin County. There were no changes in the boundaries of the District during the current year. The District provides secondary education for students residing in two elementary school districts: Dixie School District and San Rafael City Elementary School District. The District is currently operating two comprehensive high schools, and a continuation high school.

GOVERNING BOARD		
Member	Office	Term Expires
Rachel Kertz	President	November, 2017
Greg Knell	Vice President	November, 2019
Natu Tuatagaloa	Member	November, 2017
Maika Llorens Gulati	Member	November, 2019
Linda Jackson	Member	November, 2019

DISTRICT ADMINISTRATORS

Michael R. Watenpaugh, Ed.D ,
Superintendent

Dr. Harriet MacLean,
Interim Assistant Superintendent, Education Services

Rebecca Rosales,
Deputy Superintendent, Human Resources

Christine Thomas,
Chief Business Official

SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2016

	Second Period Report	Annual Report
	Certificate No. (60C4FB1A)	Certificate No. (78665468)
Regular & Extended Year ADA:		
Ninth through Twelfth	2,188.45	2,188.43
Total Regular ADA	2,188.45	2,188.43
Special Education, Nonpublic, Nonsectarian Schools:		
Ninth through Twelfth	18.06	17.62
Total Special Education, Nonpublic, Nonsectarian Schools	18.06	17.62
Total ADA	2,206.51	2,206.05

SAN RAFAEL CITY HIGH SCHOOL DISTRICT*Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2016*

<u>Grade Level</u>	<u>Required Minutes</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 9	64,800	65,098	180	Complied
Grade 10	64,800	65,333	180	Complied
Grade 11	64,800	65,333	180	Complied
Grade 12	64,800	65,098	180	Complied

SAN RAFAEL CITY HIGH SCHOOL DISTRICT*Schedule of Financial Trends and Analysis**For the Fiscal Year Ended June 30, 2016*

General Fund	(Budget) ² 2017	2016 ⁴	2015	2014
Revenues and other financing sources	\$ 32,008,198	\$ 32,632,565	\$ 28,816,929	\$ 27,449,496
Expenditures	34,487,501	32,509,501	29,602,744	26,914,319
Other uses and transfers out	-	-	140,000	778,461
Total Outgo	34,487,501	32,509,501	29,742,744	27,692,780
Change in fund balance (deficit)	(2,479,303)	123,064	(925,815)	(243,284)
Ending fund balance	\$ 5,833,540	\$ 8,312,843	\$ 8,189,779	\$ 9,115,594
Available Reserves ¹	\$ 4,984,254	\$ 2,633,942	\$ 5,093,442	\$ 5,639,307
Available Reserves as a percentage of Total Outgo	14.5%	8.1%	17.1%	20.4%
Total Long-Term Debt	\$ 124,610,131	\$ 126,453,809	\$ 83,827,668	\$ 90,209,351
Average Daily Attendance at P-2 ³	2,377	2,207	2,154	2,120

The General Fund balance has decreased by \$802,751 over the past two years. The fiscal year 2016-17 adopted budget projects a decrease of \$2,479,303. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in two of the past three years, and anticipates incurring an operating deficit during the 2016-17 fiscal year. Total long-term debt has increased by \$36,244,458 over the past two years.

Average daily attendance (ADA) has increased by 87 over the past two years. An increase of 170 ADA is anticipated during fiscal year 2016-17.

¹ Available reserves consist of all unassigned fund balances in the General Fund.

² As of September 2016.

³ Includes Basic Aid "District of Choice" ADA.

⁴ The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Adult Education, Deferred Maintenance, and Special Reserve for Postemployment Benefits Funds, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2016*

*There were no differences between the Annual Financial and Budget Report and the
Audited Financial Statements in any funds.*

SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	\$ 123,319	
National School Lunch Program	10.555	13523	235,641	
USDA Donated Foods	10.555	N/A	23,221	
Total Child Nutrition Cluster				\$ 382,181
Total U.S. Department of Agriculture				382,181
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
No Child Left Behind (NCLB):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		214,353
Title I, Part G, Advanced Placement Test Fee Reimbursement Program	84.330B	14831		8,077
Title II, Part A, Teacher Quality Local	84.367	14341		16,413
English Language Acquisition Grants Cluster:				
Title III, Immigrant Education	84.365	15146	12,808	
Title III, Limited English Proficient	84.365	14346	44,564	
Total English Language Acquisition Grants Cluster				57,372
Title X, McKinney-Vento Homeless Children Assistance Grants	84.196	14332		9,652
Carl Perkins Act - Secondary	84.048	14894		59,492
Individuals with Disabilities Education Act (IDEA):				
Passed through Marin County SELPA:				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	375,494	
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	12,662	
Total Special Education Cluster				388,156
Total U.S. Department of Education				753,515
Total Expenditures of Federal Awards				\$ 1,135,696

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES

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

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

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

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 Unaudited Actual financial report to the audited financial statements.

Schedule of Expenditures of Federal Awards

The 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 the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 ten percent de minimis indirect cost rate.

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Other Independent Auditors' Reports

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**INDEPENDENT AUDITORS' 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**

Board of Education
San Rafael City High School District
San Rafael, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Rafael City High School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise San Rafael City High School District's basic financial statements, and have issued our report thereon dated December 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Rafael City High 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 the San Rafael City High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the San Rafael City High 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Rafael City High 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2016-001.

San Rafael City High School District's Response to Finding

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

Purpose of this Report

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



Murrieta, California
December 12, 2016

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
San Rafael City High School District
San Rafael, California

Report on State Compliance

We have audited San Rafael City High 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* that could have a direct and material effect on each of the San Rafael City High School District's state government programs as noted on the following page for the fiscal year ended June 30, 2016.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of San Rafael City High School District's State programs based on our audit of the types of compliance requirements referred to below. 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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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 below occurred. An audit includes examining, on a test basis, evidence about San Rafael City High 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 for each State program. However, our audit does not provide a legal determination of San Rafael City High School District's compliance.

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	No (see below)
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio 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	Not Applicable
Transportation Maintenance of Effort	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
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	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because the ADA was under the level that requires testing.

Unmodified Opinion on Compliance with State Programs

In our opinion, San Rafael City High School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above, which is required to be reported in accordance with *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2016-001.

District's Response to Finding

San Rafael City High School District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. San Rafael City High School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

Nigro+Nigro, PC

Murrieta, California
December 12, 2016



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

Board of Education
San Rafael City High School District
San Rafael, California

Report on Compliance for Each Major Federal Program

We have audited San Rafael City High 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 San Rafael City High School District's major federal programs for the year ended June 30, 2016. San Rafael City High School District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of San Rafael City High 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 San Rafael City High 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 for each major federal program. However, our audit does not provide a legal determination of San Rafael City High School District's compliance.

Opinion on Each Major Federal Program

In our opinion, San Rafael City High 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 San Rafael City High 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 San Rafael City High 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 the District's internal control over compliance.

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

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



Murrieta, California
December 12, 2016

Findings and Questioned Costs

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SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516?	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027	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

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2015-16.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2015-16.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding 2016-001: School Accountability Report Card (72000)

Criteria: In accordance with Education Code §33126, the school is to provide an accountability report card to include safety, cleanliness, and adequacy of school facilities, to include any needed maintenance to ensure good repair. The condition reported should be supported by the school's Facilities Inspection Tool (FIT), School Facilities Condition Evaluation as required by Ed Code §17002. In addition, according to Education Code §35256, the governing board must publish the School Accountability Report Card (SARC) for each school by February 1st of each year.

Condition: It was noted that the School Facility Repair Status on the SARC for Madrone High did not match the FIT form.

Question Costs: None.

Context: The error was noted for one of the two schools selected.

Cause: The SARC reported the "Interior" in poor condition while the FIT form stated a good rating for Madrone High.

Effect: Without proper compliance, the public will be misinformed on the status of the school's facilities.

Recommendation: We recommend that an employee verify the information presented in the SARC. This information is essential to present the image of the school fairly to the public. In addition, the SARCs should be published on an annual basis by February 1st.

Views of Responsible Officials: An employee will be designated to review and compare the facilities information (FIT form) along with the SARC to ensure the appropriate year FIT form information is reported in the SARC prior to its publication.

SAN RAFAEL CITY HIGH SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2016

There were no findings or questioned costs in 2014-15.

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To the Board of Education
San Rafael City High School District
San Rafael, California

In planning and performing our audit of the basic financial statements of San Rafael City High School District for the year ending June 30, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 12, 2016, on the financial statements of San Rafael City High School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: In our testing of cash receipts at the highs schools, we found several instances where the deposits tested lacked sufficient supporting documentation, such as pre-numbered receipts or tickets, tally sheets, or sales report. Without supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account.

Recommendation: Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for. Although support was evident in some transactions, we recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales.

Observation: During our testing we noted many of the cash receipts reviewed did not have a revenue potential prepared. It is important for student organizations to have adequate internal controls over their fundraising events, properly evaluate the effectiveness of those events, and account for a fundraiser's financial activity. Revenue potentials are used as a budgeting and planning tool. The form serves as a sales plan that includes expected sales levels, sale prices per unit, expected cost, and net income.

Recommendation: We recommend that revenue potentials be prepared for all major fundraising activities.

Observation: During our testing of cash disbursements at various school sites, we noted several internal control weaknesses. Disbursements were made without sufficient documentation, and in some cases without proper pre-approval.

Recommendation: Education Code Section 48933(b) requires all disbursements of ASB funds to be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds. As a "best practice", approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines. Furthermore, no disbursements should be made without an original invoice or receipt indicating the purpose of the disbursement.

ASSOCIATED STUDENT BODY (ASB) FUNDS (continued)

Observation: During our review of bank statement reconciliations, it was noted that a few reconciliations were prepared more than a month after the bank statement was received.

Recommendation: Timely and accurate bank reconciliations are prudent and necessary to ensure that the accounting records match the amounts held on deposit. We recommend the bookkeeper perform monthly bank reconciliations with two weeks after the statement arrives. Furthermore, the principal or ASB advisor should review the bank reconciliation and initial and date the bank statement and reconciliation as evidence they were reviewed. Review of the bank reconciliations by someone other than the bookkeeper is an important internal control to detect errors and possible questionable or suspicious activity.

DISTRICT OFFICE - DISBURSEMENTS

Observation: During our testing of expenditures, we identified 11 disbursements that were processed without the creation of a purchase order or without documenting the proper approval prior to the expense being incurred.

Recommendation: We recommend that all expenditures be approved and documented prior to the purchase of goods or services to ensure their necessity by the appropriate levels of management before the District is obligated to pay.

We will review the status of the current year comments during our next audit engagement.



Murrieta, California
December 12, 2016