

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



SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2016
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SAN RAFAEL CITY ELEMENTARY 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 Elementary 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 Elementary 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 Elementary School District, as of June 30, 2016, and the respective changes in financial position 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.



Murrieta, California
December 12, 2016

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

This discussion and analysis of San Rafael City Elementary 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 \$62.0 million, and overall expenses were \$59.6 million.
- The District's net position increased by \$2.4 million.
- The total cost of the basic programs was \$59.6 million. Because a portion of these costs were paid for with charges, fees and intergovernmental aid, the net cost that required taxpayer funding was \$47.9 million.
- The District's outstanding long-term debt increased by approximately \$31.7 million.
- Average daily attendance (ADA) in grades K-8 increased by 130, or 2.9%

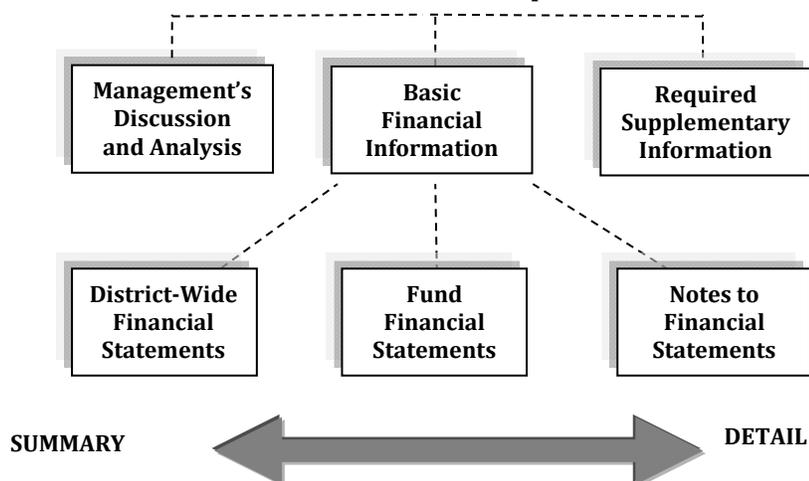
OVERVIEW OF THE FINANCIAL STATEMENTS

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 Elementary School District's Annual Financial Report

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



SAN RAFAEL CITY ELEMENTARY 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 non-financial 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 ELEMENTARY 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 explains 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 ELEMENTARY 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 higher on June 30, 2016, than it was the year before – increasing 13.8% to \$(15.2) million (See Table A-1).

Table A-1

	Governmental Activities		Variance Increase (Decrease)
	2016	2015*	
Current assets	\$ 53,035,917	\$ 20,682,452	\$ 32,353,465
Capital assets	70,108,093	73,680,565	(3,572,472)
Total assets	123,144,010	94,363,017	28,780,993
Total deferred outflows	6,757,287	3,166,079	3,591,208
Current liabilities	4,751,113	3,751,847	999,266
Long-term liabilities	136,330,700	104,554,283	31,776,417
Total liabilities	141,081,813	108,306,130	32,775,683
Total deferred inflows	4,014,967	6,856,032	(2,841,065)
Net position			
Net investment in capital assets	15,297,847	17,746,486	(2,448,639)
Restricted	9,794,799	7,580,326	2,214,473
Unrestricted	(40,288,129)	(42,959,878)	2,671,749
Total net position	\$ (15,195,483)	\$ (17,633,066)	\$ 2,437,583

* As restated

Changes in net position, governmental activities. The District's total revenues increased 17.8% to \$62.0 million (See Table A-2). The increase is due primarily to increases in state and local funding.

The total cost of all programs and services increased 13.8% to \$59.6 million. The District's expenses are predominantly related to educating and caring for students, 74.7%. The purely administrative activities of the District accounted for just 4.3% of total costs. A significant contributor to the increase in costs was increasing enrollment.

Table A-2

	Governmental Activities		Variance Increase (Decrease)
	2016	2015	
Total Revenues	\$ 62,047,672	\$ 52,670,194	\$ 9,377,478
Total Expenses	59,610,089	52,374,844	7,235,245
Increase (decrease) in net position	\$ 2,437,583	\$ 295,350	\$ 2,142,233

SAN RAFAEL CITY ELEMENTARY 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 \$49.2 million, which is above last year's ending fund balance of \$17.5 million. The primary cause of the increased fund balance is due to the issuance of general obligation bonds in the building fund.

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 \$1.9 million primarily to reflect changes from federal, state, and local sources.
- Salaries and benefits costs – increased approximately \$1.1 million due to changes in staffing levels and negotiations.
- Other non-capital expenses – increased \$2.5 million to allocate resources for the schools.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$1.2 million, the actual results for the year show that revenues exceeded expenditures by roughly \$5.0 million. Actual revenues were \$0.2 million more than anticipated, and expenditures were \$3.6 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2016, that will be carried over into the 2016-17 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015-16 the District had invested \$0.5 million in new capital assets, related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$4.1 million.

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

	Governmental Activities (In millions)		Variance
	2016	2015*	Increase (Decrease)
Land	\$ 0.7	\$ 0.7	-
Improvement of sites	8.0	8.8	(0.8)
Buildings	60.2	63.2	(3.0)
Equipment	0.9	0.9	-
Construction in progress	0.3	0.1	0.2
Total	\$ 70.1	\$ 73.7	\$ (3.6)

* As restated

SAN RAFAEL CITY ELEMENTARY 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 \$136.3 million in general obligation bonds, certificates of participation, capital leases and employment benefits – an increase of 30.2% 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)
	(In millions)		
	2016	2015	
General obligation bonds	\$ 94.7	\$ 69.8	\$ 24.9
Certificates of participation	3.5	3.6	(0.1)
Capital leases	0.1	0.1	-
Other postemployment benefits	4.9	4.2	0.7
Net pension liability	33.0	26.6	6.4
Compensated absences	0.1	0.3	(0.2)
Total	\$ 136.3	\$ 104.6	\$ 31.7

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 ELEMENTARY 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 ELEMENTARY 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

Large Increase for LCFF

The \$2.9 billion augmentation brings total funding for implementing LCFF for school districts and charter schools up to \$55.8 billion, a 5.7 percent increase over the revised 2015-16 level. The administration estimates this funding will close 54 percent of the gap between current funding levels and LCFF target rates, bringing LCFF to 96 percent of its full implementation cost. School districts and charter schools may use LCFF monies for any educational purpose.

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 Elementary 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 ELEMENTARY SCHOOL DISTRICT*Statement of Net Position**June 30, 2016*

	Total Governmental Activities
ASSETS	
Cash	\$ 50,000,124
Accounts receivable	3,032,251
Stores inventories	3,542
Nondepreciable capital assets	1,037,646
Depreciable capital assets	127,414,517
Less accumulated depreciation	<u>(58,344,070)</u>
Total assets	<u>123,144,010</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	564,203
Deferred outflows of resources - pensions	<u>6,193,084</u>
Total deferred outflows of resources	<u>6,757,287</u>
LIABILITIES	
Accounts payable	4,729,914
Unearned revenue	21,199
Long-term liabilities:	
Due within one year	4,390,484
Due after one year	<u>131,940,216</u>
Total liabilities	<u>141,081,813</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	<u>4,014,967</u>
NET POSITION	
Net investment in capital assets	15,297,847
Restricted for:	
Capital projects	1,057,657
Debt service	6,515,897
Categorical programs	2,221,245
Unrestricted	<u>(40,288,129)</u>
Total net position	<u><u>\$ (15,195,483)</u></u>

SAN RAFAEL CITY ELEMENTARY 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	\$ 29,809,067	\$ -	\$ 5,812,602	\$ (23,996,465)
Instruction-related services:				
Supervision of instruction	4,749,847	-	1,394,118	(3,355,729)
Instructional library, media and technology	547,852	-	131,462	(416,390)
School site administration	3,029,290	-	90,928	(2,938,362)
Pupil services:				
Home-to-school transportation	1,787,846	-	217,297	(1,570,549)
Food services	2,612,125	134,898	2,304,720	(172,507)
All other pupil services	1,984,727	-	1,104,037	(880,690)
General administration:				
Data processing	333,954	-	12,270	(321,684)
All other general administration	2,221,415	6,893	271,471	(1,943,051)
Plant services	3,871,400	-	3,582	(3,867,818)
Community services	74,302	-	3,309	(70,993)
Interest on long-term debt	3,736,161	-	-	(3,736,161)
Other outgo	747,055	-	200,598	(546,457)
Depreciation (unallocated)	4,105,048	-	-	(4,105,048)
Total governmental activities	<u>\$ 59,610,089</u>	<u>\$ 141,791</u>	<u>\$ 11,546,394</u>	<u>\$ (47,921,904)</u>
General Revenues:				
				26,390,673
Property taxes				22,876,078
Federal and state aid not restricted to specific purposes				74,604
Interest and investment earnings				1,018,132
Miscellaneous				<u>50,359,487</u>
Total general revenues				
				<u>2,437,583</u>
Change in net position				
				<u>(21,324,673)</u>
Net position - July 1, 2015, as originally stated				
				3,691,607
Adjustment for restatements (Note 13)				<u>(17,633,066)</u>
Net position - July 1, 2015, as restated				
				<u>\$ (15,195,483)</u>
Net position - June 30, 2016				

SAN RAFAEL CITY ELEMENTARY 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	\$ 17,597,344	\$ 24,753,516	\$ 6,515,897	\$ 1,133,367	\$ 50,000,124
Accounts receivable	2,650,057	-	-	382,194	3,032,251
Due from other funds	115,199	-	-	3,950	119,149
Inventories	-	-	-	3,542	3,542
Total Assets	<u>\$ 20,362,600</u>	<u>\$ 24,753,516</u>	<u>\$ 6,515,897</u>	<u>\$ 1,523,053</u>	<u>\$ 53,155,066</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 3,560,515	\$ 30,032	\$ -	\$ 194,354	\$ 3,784,901
Due to other funds	3,950	-	-	115,199	119,149
Unearned revenue	21,199	-	-	-	21,199
Total Liabilities	<u>3,585,664</u>	<u>30,032</u>	<u>-</u>	<u>309,553</u>	<u>3,925,249</u>
Fund Balances					
Nonspendable	2,500	-	-	3,542	6,042
Restricted	2,065,402	-	6,515,897	1,209,958	9,791,257
Assigned	5,950,516	-	-	-	5,950,516
Unassigned	8,758,518	-	-	-	8,758,518
Total Fund Balances	<u>16,776,936</u>	<u>-</u>	<u>6,515,897</u>	<u>1,213,500</u>	<u>49,229,817</u>
Total Liabilities and Fund Balances	<u>\$ 20,362,600</u>	<u>\$ 30,032</u>	<u>\$ 6,515,897</u>	<u>\$ 1,523,053</u>	<u>\$ 53,155,066</u>

SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2016

Total fund balances - governmental funds		\$	49,229,817
Capital assets used in governmental <i>activities</i> are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$128,452,163, and the accumulated depreciation is (\$58,344,070).			70,108,093
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 the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:			564,203
In government 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:			(945,013)
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.			
	Deferred outflows of resources	6,193,084	
	Deferred inflows of resources	<u>(4,014,967)</u>	2,178,117
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	94,671,634	
	Certificates of participation payable	3,530,000	
	Capital leases payable	43,455	
	Other postemployment benefits	4,911,156	
	Net pension liability	33,037,132	
	Compensated absences payable	<u>137,323</u>	<u>(136,330,700)</u>
Total net position - governmental activities		\$	<u><u>(15,195,483)</u></u>

SAN RAFAEL CITY ELEMENTARY 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	\$ 38,220,901	\$ -	\$ -	\$ -	\$ 38,220,901
Federal sources	2,578,714	-	-	2,249,511	4,828,225
Other state sources	6,313,567	-	25,118	272,658	6,611,343
Other local sources	6,845,140	28,996	5,046,093	725,573	12,645,802
Total Revenues	53,958,322	28,996	5,071,211	3,247,742	62,306,271
EXPENDITURES					
Current:					
Instruction	29,807,052	-	-	123,536	29,930,588
Instruction-related services:					
Supervision of instruction	4,115,670	-	-	7,716	4,123,386
Instructional library, media and technology	523,621	-	-	-	523,621
School site administration	3,047,285	-	-	-	3,047,285
Pupil support services:					
Home-to-school transportation	1,788,301	-	-	-	1,788,301
Food services	-	-	-	2,708,194	2,708,194
All other pupil services	1,985,857	-	-	-	1,985,857
Community services:					
General administration services:	75,000	-	-	-	75,000
Data processing services	366,690	-	-	-	366,690
Other general administration	2,344,729	-	-	-	2,344,729
Plant services	3,845,975	14,860	-	17,501	3,878,336
Transfers of indirect costs	(111,708)	-	-	111,708	-
Capital outlay	84,274	91,083	-	206,863	382,220
Intergovernmental transfers	547,055	-	-	-	547,055
Debt service:					
Principal	144,221	-	2,773,613	-	2,917,834
Interest	162,295	-	2,136,888	-	2,299,183
Issuance costs	-	312,500	-	-	312,500
Total Expenditures	48,726,317	418,443	4,910,501	3,175,518	57,230,779
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,232,005	(389,447)	160,710	72,224	5,075,492
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	20,000	-	-	310,082	330,082
Interfund transfers out	(310,082)	-	-	(20,000)	(330,082)
Proceeds from bond issuance	-	25,000,000	-	-	25,000,000
Premiums on bond issuance	-	112,500	1,567,373	-	1,679,873
Total Other Financing Sources and Uses	(290,082)	25,112,500	1,567,373	290,082	26,679,873
Net Change in Fund Balances	4,941,923	24,723,053	1,728,083	362,306	31,755,365
Fund Balances, July 1, 2015	11,835,013	431	4,787,814	851,194	17,474,452
Fund Balances, June 30, 2016	\$ 16,776,936	\$ 24,723,484	\$ 6,515,897	\$ 1,213,500	\$ 49,229,817

SAN RAFAEL CITY ELEMENTARY 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 \$ 31,755,365

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	540,984	
Depreciation expense	<u>(4,105,048)</u>	
Net:		(3,564,064)

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:

2,917,834

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 additions exceeded accreted interest paid in the current period by:

(1,155,230)

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. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(26,679,873)

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

162,819

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 debt. The difference between current year amounts and the current year amortization is:

(43,400)

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 and the resulting gain or loss is:

(8,408)

In governmental funds, other postemployment benefits (OPEB) costs are recognized as expenditures in the period they are paid. In the government-wide statements, OPEB costs are recognized in the period that they are incurred. The increase in the net OPEB liability at the end of the period was:

(673,956)

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:

(401,166)

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:

14,728

In the statement of activities, certain operating expenses - compensated absences, for example, 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 used exceeded the amounts earned by:

112,934

Change in net position of governmental activities \$ 2,437,583

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

	<u>Agency Funds</u> <u>Student Body Funds</u>
ASSETS	
Cash	<u>\$ 21,417</u>
Total assets	<u><u>\$ 21,417</u></u>
LIABILITIES	
Due to student groups	<u>\$ 21,417</u>
Total liabilities	<u><u>\$ 21,417</u></u>

SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Rafael City Elementary 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 Elementary 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 ELEMENTARY 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 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 Deferred Maintenance Fund does not currently meet the definition of special revenue fund since it is 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 these funds are 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.

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 Funds:

Child Development Fund: This fund is used to account for resources committed to child development programs maintained by the District.

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.

County School Facilities Fund: This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

Special Reserve Fund for Capital Outlay Projects: This fund is used to account for funds set aside for Board designated construction projects.

SAN RAFAEL CITY ELEMENTARY 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)

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 the Associated Student Body (ASB) Fund at Davidson Middle School.

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. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. 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.

SAN RAFAEL CITY ELEMENTARY 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)

3. Revenues - Exchange and Non-Exchange Transactions (continued)

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.

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.

SAN RAFAEL CITY ELEMENTARY 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)

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:

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

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 two items that qualify for reporting in this category. The first item is to recognize deferred outflows of resources related to 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".

SAN RAFAEL CITY ELEMENTARY 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)

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation 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.

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.
resources.

SAN RAFAEL CITY ELEMENTARY 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

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.
- **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 three 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.

SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 2 – CASH

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

	Governmental Activities/ Funds	Fiduciary Funds
Pooled Funds:		
Cash in County Treasury	\$ 49,992,424	\$ -
Total Pooled Funds	<u>49,992,424</u>	<u>-</u>
Deposits:		
Cash on hand and in banks	5,200	21,417
Cash in revolving fund	<u>2,500</u>	<u>-</u>
Total Deposits	<u>7,700</u>	<u>21,417</u>
Total Cash	<u>\$ 50,000,124</u>	<u>\$ 21,417</u>

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 Depository 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). 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.

SAN RAFAEL CITY ELEMENTARY 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	\$ 1,392,368	\$ 307,958	\$ 1,700,326
State Government:			
Lottery	517,594	-	517,594
Categorical aid programs	136,701	29,851	166,552
Local:			
Other local	603,394	44,385	647,779
Total	<u>\$ 2,650,057</u>	<u>\$ 382,194</u>	<u>\$ 3,032,251</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 cost reimbursements and negative student balance write-offs	\$ 3,950
Child Development Fund due to General Fund for indirect costs	8,800
Cafeteria Fund due to General Fund for indirect costs	106,399
Total	<u>\$ 119,149</u>

B. Transfers To/From Other Funds

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

General Fund transfer to the Special Reserve Fund for Capital Outlay Projects for maintenance contribution	\$ 310,082
Special Reserve Fund for Capital Outlay Projects transfer to General Fund for facilities use fees	20,000
Total	<u>\$ 330,082</u>

SAN RAFAEL CITY ELEMENTARY 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	\$ 2,500	\$ -	\$ -	\$ -	\$ 2,500
Stores inventories	-	-	-	3,542	3,542
Total Nonspendable	2,500	-	-	3,542	6,042
Restricted:					
Categorical programs	2,065,402	-	-	8	2,065,410
Food service programs	-	-	-	152,293	152,293
Capital projects	-	24,723,484	-	1,057,657	25,781,141
Debt service	-	-	6,515,897	-	6,515,897
Total Restricted	2,065,402	24,723,484	6,515,897	1,209,958	34,514,741
Assigned:					
Deferred maintenance program	727,800	-	-	-	727,800
Other assignments	3,483,121	-	-	-	3,483,121
Postemployment benefits	1,739,595	-	-	-	1,739,595
Total Assigned	5,950,516	-	-	-	5,950,516
Unassigned:					
Reserve for economic uncertainties	2,435,700	-	-	-	2,435,700
Remaining unassigned balances	6,322,818	-	-	-	6,322,818
Total Unassigned	8,758,518	-	-	-	8,758,518
Total	\$ 16,776,936	\$ 24,723,484	\$ 6,515,897	\$ 1,213,500	\$ 49,229,817

SAN RAFAEL CITY ELEMENTARY 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 Restatments	Balance, July 1, 2015	Additions	Retirements	Balance, June 30, 2016
Capital assets not being depreciated:						
Land	\$ 723,499	\$ -	\$ 723,499	\$ -	\$ -	\$ 723,499
Construction in progress	87,227	-	87,227	314,147	87,227	314,147
Total capital assets not being depreciated	810,726	-	810,726	314,147	87,227	1,037,646
Capital assets being depreciated:						
Improvement of sites	17,865,542	3,125,651	20,991,193	-	-	20,991,193
Buildings	94,537,550	10,316,680	104,854,230	104,227	-	104,958,457
Equipment	3,521,639	(2,212,618)	1,309,021	209,837	53,991	1,464,867
Total capital assets being depreciated	115,924,731	11,229,713	127,154,444	314,064	53,991	127,414,517
Accumulated depreciation for:						
Improvement of sites	(11,907,333)	(307,834)	(12,215,167)	(788,783)	-	(13,003,950)
Buildings	(31,811,646)	(9,818,665)	(41,630,311)	(3,174,956)	-	(44,805,267)
Equipment	(3,027,520)	2,588,393	(439,127)	(141,309)	(45,583)	(534,853)
Total accumulated depreciation	(46,746,499)	(7,538,106)	(54,284,605)	(4,105,048)	(45,583)	(58,344,070)
Total capital assets being depreciated, net	69,178,232	3,691,607	72,869,839	(3,790,984)	8,408	69,070,447
Governmental activity capital assets, net	\$ 69,988,958	\$ 3,691,607	\$ 73,680,565	\$ (3,476,837)	\$ 95,635	\$ 70,108,093

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	\$ 50,324,834	\$ 25,000,000	\$ 2,773,613	\$ 72,551,221	\$ 2,880,935
Accreted interest	17,556,129	2,176,619	1,021,389	18,711,359	1,169,065
Unamortized Premium, net	1,892,000	1,679,873	162,819	3,409,054	190,821
Total - Bonds	69,772,963	28,856,492	3,957,821	94,671,634	4,240,821
Certificates of Participation	3,650,000	-	120,000	3,530,000	125,000
Capital Leases	67,676	-	24,221	43,455	24,663
Other Postemployment Benefits	4,237,200	673,956	-	4,911,156	-
Net Pension Liability	26,576,187	6,460,945	-	33,037,132	-
Compensated Absences	250,257	-	112,934	137,323	-
Totals	\$ 104,554,283	\$ 35,991,393	\$ 4,214,976	\$ 136,330,700	\$ 4,390,484

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Payments for certificates of participation, other employment benefits, and capital leases payments are made by the General Fund. Accumulated vacation will be paid for by the fund for which the employee worked.

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 \$26.0 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, remove asbestos, replace heating, ventilation and plumbing systems, make earthquake safety improvements, renovate and update classrooms, acquire school facilities, and improve school sites and facilities.

SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

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 \$49.3 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 repair, upgrading, construction, acquisition and equipping of certain district property and facilities and to pay the cost of issuing 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 \$108.2 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, facilities, classrooms, and science labs, modernization of plumbing and bathroom facilities, upgrading of technology infrastructure, installation of energy efficient heating and cooling systems, removal of hazardous conditions, and repair of leaky roofs.

2011 Refunding General Obligation Bonds

On July 21, 2011, the District issued \$27,710,000 of Refunding General Obligation Bonds. The bonds bear fixed interest rates averaging 3.9 percent with annual maturities from August 1, 2012, through August 1, 2028. The net proceeds of \$29,577,900 (after premiums of \$2,121,784 and issuance costs of \$253,884) were used to prepay a portion of the District's outstanding General Obligation Bonds.

Deferred charges on refunding of \$564,203 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
1999A	7/18/2000	7/1/2025	4.8%-6.0%	\$ 6,496,510	\$ 676,510	\$ -	\$ -	\$ 676,510
2002B	8/4/2004	8/1/2029	3.85%-5.7%	29,996,225	17,772,758	-	1,316,302	16,456,456
2002C	8/11/2005	8/1/2030	3.25%-5.3%	9,300,566	6,555,566	-	317,311	6,238,255
2011R	7/21/2011	8/1/2028	2.0%-5.0%	27,710,000	25,320,000	-	1,140,000	24,180,000
2015A	3/10/2016	8/1/2045	2.25%-5.0%	25,000,000	-	25,000,000	-	25,000,000
					<u>\$ 50,324,834</u>	<u>\$ 25,000,000</u>	<u>\$ 2,773,613</u>	<u>\$ 72,551,221</u>
				<u>Accreted Interest:</u>				
				1999A	\$ 943,791	\$ 97,692	\$ -	\$ 1,041,483
				2002B	12,780,902	1,571,670	853,700	13,498,872
				2002C	3,831,436	507,257	167,689	4,171,004
					<u>\$ 17,556,129</u>	<u>\$ 2,176,619</u>	<u>\$ 1,021,389</u>	<u>\$ 18,711,359</u>

SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016-2017	\$ 2,880,935	\$ 3,088,393	\$ 5,969,328
2017-2018	5,946,131	3,254,706	9,200,837
2018-2019	5,674,032	3,262,706	8,936,738
2019-2020	3,274,341	3,311,397	6,585,738
2020-2021	3,414,332	3,429,155	6,843,487
2021-2026	17,811,640	21,056,796	38,868,436
2026-2031	15,604,810	23,623,659	39,228,469
2031-2036	3,135,000	3,269,150	6,404,150
2036-2041	5,630,000	2,441,275	8,071,275
2041-2046	9,180,000	984,400	10,164,400
Total	<u>\$ 72,551,221</u>	<u>\$ 67,721,637</u>	<u>\$ 140,272,858</u>

B. Certificates of Participation

On September 29, 2005, the District issued \$4,500,000 Certificates of Participation for the purpose of providing additional funds for school modernization. The issue consists of \$2,290,000 Serial Certificates ranging in interest from 2.8% to 4.5% and maturing February 1, 2025 and two Term Certificates for \$980,000 and \$1,230,000, respectively, with interest rates of 4.5% and 4.625%, maturing February 1, 2030 and 2035, respectively.

At June 30, 2016, the principal outstanding on the certificates was \$3,530,000. The annual requirements to amortize outstanding certificates at June 30, 2016, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016-2017	\$ 125,000	\$ 156,734	\$ 281,734
2017-2018	130,000	151,890	281,890
2018-2019	135,000	146,690	281,690
2019-2020	140,000	141,290	281,290
2020-2021	145,000	135,550	280,550
2021-2026	825,000	577,848	1,402,848
2026-2031	1,025,000	376,688	1,401,688
2031-2035	1,005,000	118,863	1,123,863
Total	<u>\$ 3,530,000</u>	<u>\$ 1,805,553</u>	<u>\$ 5,335,553</u>

SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

C. Capital Leases

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

<u>Fiscal Year</u>	<u>Lease Payment</u>
2016-2017	25,283
2017-2018	18,962
Total	44,245
Less amount representing interest	(790)
Present value of minimum lease payments	<u>\$ 43,455</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 Elementary 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 Elementary 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.

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

	<u>MSIA</u>
Total Assets	\$ 28,781,393
Total Liabilities	<u>13,925,485</u>
Net Position	<u>\$ 14,855,908</u>
Total Revenues	\$ 12,832,271
Total Expenditures	<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>

SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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 JPA 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. Dental benefits and basic life insurance benefits are provided through the MSIA public entity risk pool.

SAN RAFAEL CITY ELEMENTARY 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 ELEMENTARY 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:

	<u>CalSTRS</u>	<u>CalPERS</u>
Employer contributions	\$ 2,232,314	\$ 655,710
Employee contributions paid by employer	\$ -	\$ -
Employee contributions paid by the State	\$ 1,304,529	\$ -

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:

	<u>Proportionate Share of Net Pension Liability</u>
CalSTRS	\$ 28,276,080
CalPERS	4,761,052
Total Net Pension Liability	<u>\$ 33,037,132</u>

SAN RAFAEL CITY ELEMENTARY 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:

	<u>CalSTRS</u>	<u>CalPERS</u>
Proportion - June 30, 2014	0.0400%	0.0282%
Proportion - June 30, 2015	<u>0.0420%</u>	<u>0.0323%</u>
Change - Increase (Decrease)	<u>0.0020%</u>	<u>0.0041%</u>

For the year ended June 30, 2016, the District recognized pension expense of \$2,727,189. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,888,024	\$ -
Differences between actual and expected experience	272,101	(472,500)
Changes in assumptions	-	(292,532)
Adjustment due to differences in proportions	2,251,005	-
Net differences between projected and actual earnings on plan investments	<u>781,954</u>	<u>(3,249,935)</u>
	<u>\$ 6,193,084</u>	<u>\$ (4,014,967)</u>

The total amount of \$2,888,024 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:

<u>Year Ended June 30,</u>	<u>Amount</u>
2017	\$ (234,134)
2018	(446,259)
2019	19,392
2020	(67,500)
2021	(67,500)
Thereafter	-

SAN RAFAEL CITY ELEMENTARY 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)

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. 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.

SAN RAFAEL CITY ELEMENTARY 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 CalPERS (continued)

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%
	<u>100%</u>	<u>100%</u>		

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	\$ 42,694,680	\$ 7,749,008
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 28,276,080	\$ 4,761,052
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 16,293,060	\$ 2,276,366

SAN RAFAEL CITY ELEMENTARY 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)

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 payables for outstanding contributions to the CalSTRS and CalPERS pension plans.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

San Rafael City Elementary 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.

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	75
Active plan members*	<u>416</u>
Total	<u><u>491</u></u>

** As of January 1, 2014, actuarial valuation*

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 \$77.35 per month for 2014. In addition, the District will pay an additional \$230.00 per month toward the cost of medical and dental benefits for five years after retirement or until age 65, whichever comes first.

SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

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 \$97,185.

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	\$	880,377
Interest on net OPEB obligation		158,895
Adjustment to annual required contribution		<u>(268,131)</u>
Annual OPEB cost		771,141
Contributions made		<u>(97,185)</u>
Increase in net OPEB obligation		673,956
Net OPEB obligation – July 1, 2015		<u>4,237,200</u>
Net OPEB obligation – June 30, 2016	\$	<u><u>4,911,156</u></u>

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:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2014	\$ 706,744	11.1%	\$ 3,531,608
2015	\$ 795,234	11.3%	\$ 4,237,200
2016	\$ 771,141	12.6%	\$ 4,911,156

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 \$6.2 million and the unfunded actuarial accrued liability (UAAL) was \$6.2 million.

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

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Funded Status and Funding Progress – OPEB Plans (continued)

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 \$3,691,607 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 ELEMENTARY SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual* (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
LCFF Sources	\$ 37,828,916	\$ 38,570,661	\$ 37,955,901	\$ (614,760)
Federal Sources	2,540,773	3,122,737	2,578,714	(544,023)
Other State Sources	4,801,416	4,930,579	6,313,567	1,382,988
Other Local Sources	6,430,708	6,897,383	6,841,137	(56,246)
Total Revenues	51,601,813	53,521,360	53,689,319	167,959
Expenditures				
Current:				
Certificated Salaries	21,409,708	22,076,982	21,460,123	616,859
Classified Salaries	5,370,314	5,691,646	5,216,264	475,382
Employee Benefits	8,340,920	8,400,551	9,004,338	(603,787)
Books and Supplies	3,267,773	4,720,715	2,618,589	2,102,126
Services and Other Operating Expenditures	9,378,405	10,411,661	9,425,980	985,681
Capital Outlay	65,000	229,776	243,340	(13,564)
Intergovernmental Transfers	472,360	526,076	435,347	90,729
Debt Service	25,184	306,518	306,516	2
Total Expenditures	48,329,664	52,363,925	48,710,497	3,653,428
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,272,149	1,157,435	4,978,822	3,821,387
Other Financing Sources (Uses)				
Interfund Transfers In	20,000	20,000	20,000	-
Interfund Transfers Out	(910,082)	(910,082)	(910,082)	-
Total Other Financing Sources and Uses	(890,082)	(890,082)	(890,082)	-
Net Change in Fund Balance	2,382,067	267,353	4,088,740	3,821,387
Fund Balance, July 1, 2015	10,220,801	10,220,801	10,220,801	-
Fund Balance, June 30, 2016	\$ 12,602,868	\$ 10,488,154	\$ 14,309,541	\$ 3,821,387

* 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 Deferred Maintenance Fund and the Special Reserve Fund for Postemployment Benefits in accordance with the fund type definitions promulgated by GASB Statement No. 54.

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

Actuarial 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	\$ -	\$ 4,649,073	\$ 4,649,073	0.0%	N/A	N/A
January 1, 2012	\$ -	\$ 5,462,058	\$ 5,462,058	0.0%	N/A	N/A
January 1, 2014	\$ -	\$ 6,168,215	\$ 6,168,215	0.0%	N/A	N/A

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

	Last Ten Fiscal Years*	
	2015	2014
District's proportion of the net pension liability (asset):		
CalSTRS	0.042%	0.040%
CalPERS	0.032%	0.028%
District's proportionate share of the net pension liability (asset):		
CalSTRS	\$ 28,276,080	\$ 23,374,800
CalPERS	\$ 4,761,052	\$ 3,201,387
District's covered-employee payroll:		
CalSTRS	\$ 19,561,948	\$ 18,306,909
CalPERS	\$ 5,046,173	\$ 4,311,248
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll:		
CalSTRS	144.5%	127.7%
CalPERS	94.3%	74.3%
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 ELEMENTARY SCHOOL DISTRICT
Schedule of Contributions
For the Fiscal Year Ended June 30, 2016

Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution:		
CalSTRS	\$ 1,737,101	\$ 1,510,320
CalPERS	\$ 593,985	\$ 493,293
Contributions in relation to the actuarially determined contribution:		
CalSTRS	\$ 1,737,101	\$ 1,510,320
CalPERS	\$ 593,985	\$ 493,293
Contribution deficiency (excess):		
CalSTRS	\$ -	\$ -
CalPERS	\$ -	\$ -
District's covered-employee payroll:		
CalSTRS	\$ 19,561,948	\$ 18,306,909
CalPERS	\$ 5,046,173	\$ 4,311,248
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 ELEMENTARY 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 ELEMENTARY 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:

General Fund:		
Employee Benefits	\$	603,787
Capital Outlay		13,564

Supplementary Information

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SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

Local Educational Agency Organization Structure

June 30, 2016

The San Rafael City Elementary 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 is currently operating one middle school, seven elementary schools (K-5) and one K-8 school. Graduating eighth grade students attend high school in the San Rafael City High School District.

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,
Assistant Superintendent, Education Services

Rebecca Rosales,
Deputy Superintendent, Human Resources

Christine Thomas,
Chief Business Official

SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

*Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2016*

	Second Period Report	Annual Report
	Certificate No. (AF0FCD85)	Certificate No. (1693D278)
Regular & Extended Year ADA:		
Transitional Kindergarten through Third	2,220.92	2,223.27
Fourth through Sixth	1,493.60	1,495.70
Seventh through Eighth	876.42	878.83
Total Regular ADA	<u>4,590.94</u>	<u>4,597.80</u>
Special Education, Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	6.29	6.37
Fourth through Sixth	6.38	6.57
Seventh through Eighth	7.13	8.18
Total Special Education, Nonpublic, Nonsectarian Schools	<u>19.80</u>	<u>21.12</u>
Total ADA	<u><u>4,610.74</u></u>	<u><u>4,618.92</u></u>

SAN RAFAEL CITY ELEMENTARY 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>
Kindergarten	36,000	44,100	180	Complied
Grade 1	50,400	52,050	180	Complied
Grade 2	50,400	52,050	180	Complied
Grade 3	50,400	52,050	180	Complied
Grade 4	54,000	54,690	180	Complied
Grade 5	54,000	54,750	180	Complied
Grade 6	54,000	60,252	180	Complied
Grade 7	54,000	60,252	180	Complied
Grade 8	54,000	60,252	180	Complied

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

General Fund	(Budget) ²	2016 ³	2015	2014
	2017			
Revenues and other financing sources	\$ 53,729,759	\$ 53,709,319	\$ 44,691,143	\$ 40,753,003
Expenditures	54,813,865	48,710,497	42,879,307	39,846,076
Other uses and transfers out	1,070,377	910,082	1,040,082	701,082
Total Outgo	55,884,242	49,620,579	43,919,389	40,547,158
Change in fund balance (deficit)	(2,154,483)	4,088,740	771,754	205,845
Ending fund balance	\$ 12,155,058	\$ 14,309,541	\$ 10,220,801	\$ 9,449,047
Available Reserves ¹	\$ 7,609,195	\$ 8,758,518	\$ 5,541,763	\$ 4,326,968
Available Reserves as a percentage of Total Outgo	13.6%	17.7%	12.6%	10.7%
Total Long-Term Debt	\$ 134,105,482	\$ 136,330,700	\$ 104,554,283	\$ 111,521,120
Average Daily Attendance at P-2	4,656	4,611	4,481	4,396

The General Fund balance has increased by \$4,860,494 over the past two years. The fiscal year 2016-17 adopted budget projects a decrease of \$2,154,483. 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 not incurred an operating deficit in any of the past three years, but anticipates incurring an operating deficit during the 2016-17 fiscal year. Total long-term debt has increased by \$24,809,580 over the past two years.

Average daily attendance (ADA) has increased by 215 over the past two years. An additional increase of 45 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 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 Deferred Maintenance Fund and Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
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 ELEMENTARY 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	\$ 243,020	
National School Lunch Program	10.555	13523	1,422,387	
USDA Donated Foods	10.555	N/A	187,180	
Total Child Nutrition Cluster				\$ 1,852,587
Child Care Food Program Cluster:				
CCFP Claims - Centers and Family Day Care	10.558	13393	347,079	
CCFP Cash in Lieu of Commodities	10.558	13389	49,845	
Total Child Care Food Program Cluster				396,924
Total U.S. Department of Agriculture				2,249,511
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		684,179
Title II, Part A, Teacher Quality Local	84.367	14341		118,032
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512		456,482
English Language Acquisition Grants Cluster:				
Title III, Immigrant Education Program	84.365	15146	24,809	
Title III, Limited English Proficiency	84.365	14346	215,395	
Total English Language Acquisition Grants Cluster				240,204
Individuals with Disabilities Education Act (IDEA):				
Passed through Marin County SELPA:				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	942,516	
Mental Health Allocation Plan, Part B, Section 611	84.027	14468	33,067	
Preschool Local Entitlement, Part B	84.027A	13682	63,250	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	40,984	
Total Special Education Cluster				1,079,817
Total U.S. Department of Education				2,578,714
Total Expenditures of Federal Awards				\$ 4,828,225

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

SAN RAFAEL CITY ELEMENTARY 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 Elementary 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 Elementary 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 Elementary 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 Elementary 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 Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the San Rafael City Elementary 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 Elementary 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2016-001 and 2016-002.

San Rafael City Elementary School District's Responses to Findings

San Rafael City Elementary School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. San Rafael City Elementary School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Elementary School District
San Rafael, California

Report on State Compliance

We have audited San Rafael City Elementary 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 Elementary 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 Elementary 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 Elementary 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 Elementary 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	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
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	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Yes
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

Unmodified Opinion on Compliance with State Programs

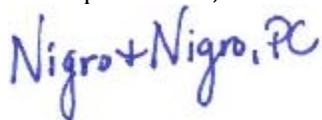
In our opinion, San Rafael City Elementary School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above, which are 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 are described in the accompanying schedule of findings and questioned costs as Findings 2016-001 and 2016-002.

District's Responses to Findings

San Rafael City Elementary School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. San Rafael City Elementary School District's responses were not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the responses.



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 Elementary School District
San Rafael, California

Report on Compliance for Each Major Federal Program

We have audited San Rafael City Elementary 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 Elementary School District's major federal programs for the year ended June 30, 2016. San Rafael City Elementary 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 Elementary 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 Elementary 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 Elementary School District's compliance.

Opinion on Each Major Federal Program

In our opinion, San Rafael City Elementary 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 Elementary 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 Elementary 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 ELEMENTARY 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, & 84.173 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 ELEMENTARY 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 ELEMENTARY 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 ELEMENTARY 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 Laurel Dell Elementary did not match the FIT form.

Question Costs: None.

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

Cause: The SARC reported the "Interior" in good condition while the FIT form stated a fair rating for Laurel Dell Elementary.

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.

Finding 2016-002: CALPADS Unduplicated Pupil Counts (40000)

Criteria: Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).
- Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

SAN RAFAEL CITY ELEMENTARY 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 (continued)

Finding 2016-002: CALPADS Unduplicated Pupil Counts (40000) (continued)

Condition: During our testing of the free and reduced price meal eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted one student selected in our English Learner only category should have been classified as English only based on the student’s status in the District’s student information system.

Context: We noted one English Learner only classification error at one school out of four tested, for a total of one exception.

Cause: The District had improperly classified one student since their EL designation conflicted with the information stored in CALPADS. The District was unaware of the difference between the student information system and CALPADS and did not make the appropriate changes.

Questioned Costs: \$2,439. This amount was determined by calculating the difference between the District’s original total LCFF revenues and the LCFF revenues adjusted for the decrease in the unduplicated pupil counts.

Effect: The unduplicated pupil counts reported in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes as a result of the procedures performed:

School Site:	CALPADS Reported	Adjusted based on eligibility for:	Adjusted Total
		EL	
Venetia Valley K-8	617	(1)	616
Aggregate remaining school sites	2,544	-	2,544
District-wide	3,161	(1)	3,160

The enrollment count of 4,749 was not impacted as a result of the procedures performed.

Recommendation: We recommend that procedures are established to ensure that the student information system which is used for CALPADS reporting, is updated to reflect the changes and entries made in the student information system for English learner students prior to the submission of the CALPADS report.

Views of Responsible Officials: The Director of English Learners Education and the Accountability Coordinator have provided additional training to the administrative assistants and principals that will guide their work in entering data into Aeries. A flow chart has been created that will provide those entering data with a visual representation for what they need to do in the future. All schools will be reminded of this each year.

SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2016

Original Finding No.	Finding	Code	Recommendation	Current Status
<p><i>Finding 2015-1: CALPADS Unduplicated Pupil Counts</i></p>	<p>Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:</p> <ul style="list-style-type: none"> • Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (<i>EC</i> sections 2574(b)(2) and 42238.02(b)(1)). • Divided by total enrollment in the LEA (<i>EC</i> sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day. <p>During our testing of the free or reduced-price meal eligible students (FRPM) reported in the CALPADS 1.17 and 1.18 reports, we noted one student who was incorrectly reported twice: once with free eligibility and once as reduced-price eligibility within the CALPADS reports.</p>	<p>40000</p>	<p>We recommend that the District implement a review procedure of the CALPADS information prior to the reports submission to the California Department of Education.</p>	<p>Implemented.</p>



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

In planning and performing our audit of the basic financial statements of San Rafael City Elementary 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 Elementary School District.

EXPENDITURES

Observation: During our testing of expenditures, we identified 20 disbursements that were processed without the creation of a purchase order or without documenting the proper approval before the expense had been incurred.

Recommendation: We recommend that all expenditures be approved and documented prior to 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.

Nigro + Nigro, PC

Murrieta, California
December 12, 2016