

SYLVAN UNION SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2016

San Diego

Los Angeles

San Francisco
Bay Area

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

SYLVAN UNION SCHOOL DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2016

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Sylvan Union School District
Modesto, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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.

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State Board of Accountancy*

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Sylvan Union School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016 on our consideration of Sylvan Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sylvan Union School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 12, 2016

SYLVAN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

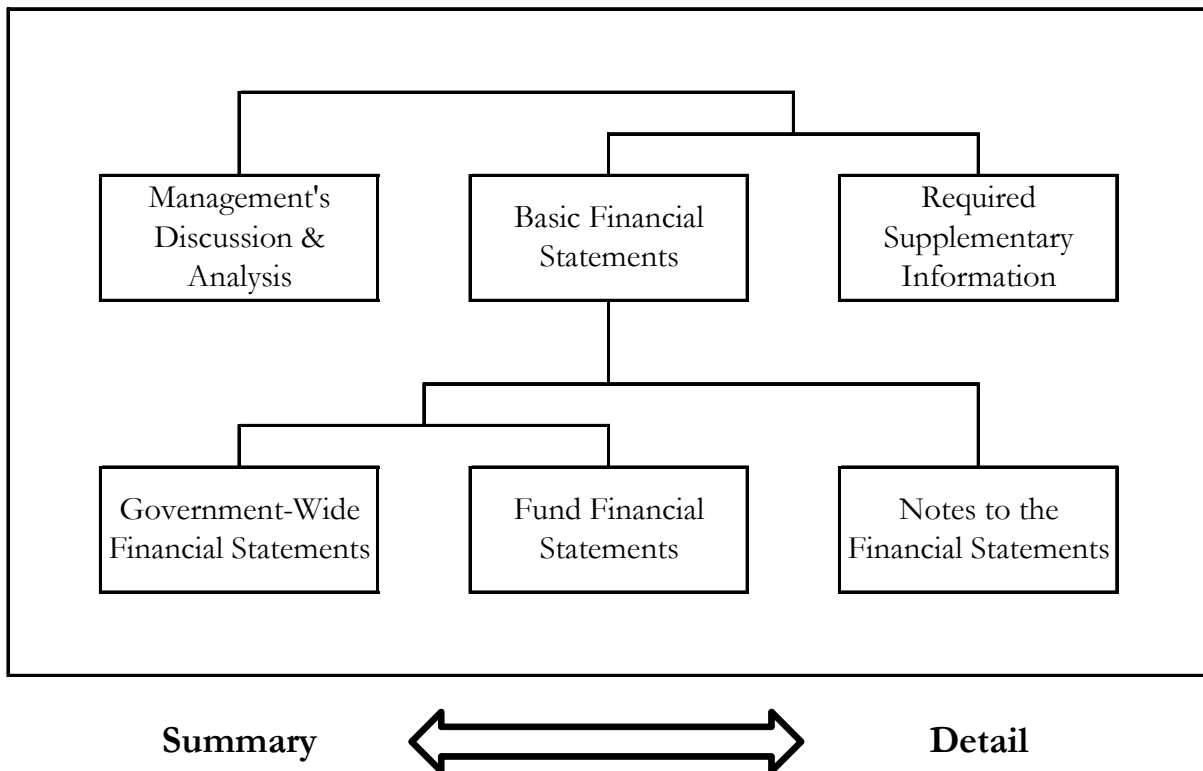
Our discussion and analysis of Sylvan Union School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$67,532,911 for governmental activities and \$273,350 for business-type activities at June 30, 2016. This was an increase of \$681,336 from the prior year's restated net position for governmental activities and an increase of \$201,365 from the prior year's restated net position for business-type activities.
- Overall revenues were \$85,829,603 for governmental activities, which exceeded expenses of \$85,148,267.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**SYLVAN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

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

Government-Wide Statements

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

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

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

**SYLVAN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$67,806,261 at June 30, 2016, as reflected in the table below. Of this amount, \$(51,823,828) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
ASSETS						
Current and other assets	\$ 35,024,509	\$ 30,399,182	\$ 4,625,327	\$ 773,034	\$ 547,812	\$ 225,222
Capital assets	139,590,583	140,672,951	(1,082,368)	23,597	28,122	(4,525)
Total Assets	174,615,092	171,072,133	3,542,959	796,631	575,934	220,697
DEFERRED OUTFLOWS OF RESOURCES	7,838,931	4,792,581	3,046,350	132,353	-	132,353
LIABILITIES						
Current liabilities	5,101,659	3,703,810	1,397,849	4,021	2,825	1,196
Long-term liabilities	103,805,197	92,182,907	11,622,290	596,878	15,266	581,612
Total Liabilities	108,906,856	95,886,717	13,020,139	600,899	18,091	582,808
DEFERRED INFLOWS OF RESOURCES	6,014,256	13,612,280	(7,598,024)	54,735	-	54,735
NET POSITION						
Net investment in capital assets	108,700,237	110,047,012	(1,346,775)	23,597	28,122	(4,525)
Restricted	10,906,255	7,968,759	2,937,496	-	-	-
Unrestricted	(52,073,581)	(51,650,054)	(423,527)	249,753	529,721	(279,968)
Total Net Position	\$ 67,532,911	\$ 66,365,717	\$ 1,167,194	\$ 273,350	\$ 557,843	\$ (284,493)

**SYLVAN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
REVENUES						
Program revenues						
Charges for services	\$ 1,222,666	\$ 1,244,006	\$ (21,340)	\$ 933,543	\$ 902,051	\$ 31,492
Operating grants and contributions	14,115,488	11,181,577	2,933,911	-	-	-
General revenues						
Property taxes	15,867,158	14,792,402	1,074,756	-	-	-
Unrestricted federal and state aid	54,099,074	46,329,893	7,769,181	-	-	-
Other	525,217	1,508,721	(983,504)	5,539	3,115	2,424
Total Revenues	85,829,603	75,056,599	10,773,004	939,082	905,166	33,916
EXPENSES						
Instruction	53,480,875	50,369,230	3,111,645	-	-	-
Instruction-related services	8,543,361	7,641,644	901,717	-	-	-
Pupil services	7,387,553	6,856,291	531,262	-	-	-
General administration	3,153,012	2,728,554	424,458	-	-	-
Plant services	8,535,133	5,308,867	3,226,266	-	-	-
Ancillary and community services	462,654	421,615	41,039	-	-	-
Debt service	2,028,971	4,663,009	(2,634,038)	-	-	-
Other Outgo	1,556,708	1,258,143	298,565	-	-	-
Enterprise	-	(2,007)	2,007	737,717	664,055	73,662
Total Expenses	85,148,267	79,245,346	5,902,921	737,717	664,055	73,662
Change in net position	681,336	(4,188,747)	4,870,083	201,365	241,111	(39,746)
Net Position - Beginning, as Restated	66,851,575	70,554,464	(3,702,889)	71,985	316,732	(244,747)
Net Position - Ending	\$ 67,532,911	\$ 66,365,717	\$ 1,167,194	\$ 273,350	\$ 557,843	\$ (284,493)

The cost of all our governmental activities this year was \$85,148,267 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$15,867,158 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions, charges for services and other revenues.

**SYLVAN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2016	2015
Instruction	\$ 45,870,365	\$ 44,519,423
Instruction-related services	6,579,772	6,337,124
Pupil services	3,064,113	3,182,972
General administration	2,772,982	2,383,258
Plant services	8,035,515	4,596,180
Ancillary and community services	244,749	210,916
Debt service	2,028,971	4,663,009
Transfers to other agencies	1,213,646	928,888
Other	-	(2,007)
Total Expenses	\$ 69,810,113	\$ 66,819,763

**SYLVAN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$29,746,162, which is more than last year's ending fund balance of \$26,799,786. The District's General Fund had \$2,924,509 more in operating revenues than expenditures for the year ended June 30, 2016.

CURRENT YEAR BUDGET 2015-16

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015-16, the District had invested \$139,590,583 in capital assets, net of accumulated depreciation for governmental activities and \$23,597 for business-type activities.

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
CAPITAL ASSETS						
Land	\$ 23,015,113	\$ 23,015,113	\$ -	\$ -	\$ -	\$ -
Construction in progress	1,501,345	343,009	1,158,336	-	-	-
Land improvements	1,446,511	1,446,511	-	62,440	62,440	-
Buildings & improvements	145,018,656	144,318,909	699,747	119,754	119,754	-
Furniture & equipment	8,713,602	9,158,759	(445,157)	32,204	32,204	-
Accumulated depreciation	(40,104,644)	(37,609,350)	(2,495,294)	(190,801)	(186,276)	(4,525)
Total Capital Assets	\$139,590,583	\$140,672,951	\$ (1,082,368)	\$ 23,597	\$ 28,122	\$ (4,525)

**SYLVAN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end, the District had \$103,805,197 and \$596,878 in long-term debt for governmental activities and business-type activities, an increase of \$9,872,559 and \$150,489, respectively, from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
LONG-TERM LIABILITIES						
Total general obligation bonds	\$ 38,589,619	\$ 38,357,648	\$ 231,971	\$ -	\$ -	\$ -
Early retirement incentive	-	197,640	(197,640)	-	-	-
Compensated absences	328,560	226,723	101,837	24,840	15,266	9,574
Energy loan	617,840	-	617,840	-	-	-
Net OPEB obligation	3,718,963	3,306,556	412,407	-	-	-
Net pension liability	61,569,313	50,753,644	10,815,669	572,038	431,123	140,915
Less: current portion of long-term debt	(1,019,098)	1,090,427	(2,109,525)	-	-	-
Total Long-term Liabilities	\$103,805,197	\$ 93,932,638	\$ 9,872,559	\$ 596,878	\$ 446,389	\$ 150,489

**SYLVAN UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

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

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

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Business Office, 605 Sylvan Avenue, Modesto CA, 95355 or at (209) 574-5000.

SYLVAN UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 32,590,282	\$ 699,721	\$ 33,290,003
Accounts receivable	2,250,141	73,313	2,323,454
Inventory	184,086	-	184,086
Capital assets, not depreciated	24,516,458	-	24,516,458
Capital assets, net of accumulated depreciation	115,074,125	23,597	115,097,722
Total Assets	174,615,092	796,631	175,411,723
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	7,838,931	132,353	7,971,284
Total Deferred Outflows of Resources	7,838,931	132,353	7,971,284
LIABILITIES			
Accrued liabilities	4,064,041	4,021	4,068,062
Unearned revenue	18,520	-	18,520
Long-term liabilities, current portion	1,019,098	-	1,019,098
Long-term liabilities, non-current portion	103,805,197	596,878	104,402,075
Total Liabilities	108,906,856	600,899	109,507,755
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	6,014,256	54,735	6,068,991
Total Deferred Inflows of Resources	6,014,256	54,735	6,068,991
NET POSITION			
Net investment in capital assets	108,700,237	23,597	108,723,834
Restricted:			
Capital projects	745,500	-	745,500
Debt service	2,128,753	-	2,128,753
Educational programs	6,317,593	-	6,317,593
All others	1,714,409	-	1,714,409
Unrestricted	(52,073,581)	249,753	(51,823,828)
Total Net Position	\$ 67,532,911	\$ 273,350	\$ 67,806,261

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

SYLVAN UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
					Total
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 53,480,875	\$ 210,466	\$ 7,400,044	\$ (45,870,365)	
Instruction-related services					
Instructional supervision and administration	2,985,566	21,921	1,783,979	(1,179,666)	
Instructional library, media, and technology	1,159,153	-	33,152	(1,126,001)	
School site administration	4,398,642	-	124,537	(4,274,105)	
Pupil services					
Home-to-school transportation	908,266	4	47	(908,215)	
Food services	3,688,835	893,511	2,831,361	36,037	
All other pupil services	2,790,452	18,510	580,007	(2,191,935)	
General administration					
Centralized data processing	572,021	-	8,293	(563,728)	
All other general administration	2,580,991	36,704	335,033	(2,209,254)	
Plant services	8,535,133	14,565	485,053	(8,035,515)	
Ancillary services	408,935	-	217,905	(191,030)	
Community services	53,719	-	-	(53,719)	
Interest on long-term debt	2,028,971	-	-	(2,028,971)	
Other Outgo	1,556,708	26,985	316,077	(1,213,646)	
Total Governmental Activities	\$ 85,148,267	\$ 1,222,666	\$ 14,115,488	(69,810,113)	
BUSINESS-TYPE ACTIVITIES					
Enterprise activities	737,717	933,543	-		195,826
Total Business-Type Activities	737,717	933,543	-		195,826
Total School District	\$ 85,885,984	\$ 2,156,209	\$ 14,115,488		\$ (69,614,287)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes				14,088,498	14,088,498
Property taxes, levied for debt service				1,778,660	1,778,660
Federal and state aid not restricted for specific purposes				54,099,074	54,099,074
Interest and investment earnings				187,039	192,578
Interagency revenues				19,553	19,553
Miscellaneous				318,625	318,625
Subtotal, General Revenue				70,491,449	70,496,988
CHANGE IN NET POSITION				681,336	882,701
Net Position - Beginning, as Restated				66,851,575	66,923,560
Net Position - Ending				\$ 67,532,911	\$ 67,806,261

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

SYLVAN UNION SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 23,009,808	\$ 8,023,709	\$ 31,033,517
Accounts receivable	2,113,862	136,279	2,250,141
Due from other funds	110,615	-	110,615
Stores inventory	-	184,086	184,086
Total Assets	\$ 25,234,285	\$ 8,344,074	\$ 33,578,359
LIABILITIES			
Accrued liabilities	\$ 3,406,043	\$ 297,019	\$ 3,703,062
Due to other funds	-	110,615	110,615
Unearned revenue	18,520	-	18,520
Total Liabilities	3,424,563	407,634	3,832,197
FUND BALANCES			
Nonspendable	10,000	185,086	195,086
Restricted	6,317,593	7,751,354	14,068,947
Assigned	3,093,885	-	3,093,885
Unassigned	12,388,244	-	12,388,244
Total Fund Balances	21,809,722	7,936,440	29,746,162
Total Liabilities and Fund Balances	\$ 25,234,285	\$ 8,344,074	\$ 33,578,359

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

SYLVAN UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
JUNE 30, 2016

Total Fund Balance - Governmental Funds \$ 29,746,162

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

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

Capital assets	\$ 179,695,227	
Accumulated depreciation	<u>(40,104,644)</u>	139,590,583

Unmatured interest on long-term debt:

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

(296,817)

Long-term liabilities:

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

Total general obligation bonds	\$ 38,589,619	
Compensated absences	328,560	
Energy loan	617,840	
Net OPEB obligation	3,718,963	
Net pension liability	<u>61,569,313</u>	(104,824,295)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 7,838,931	
Deferred inflows of resources related to pensions	<u>(6,014,256)</u>	1,824,675

Internal service funds:

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

1,492,603

Total Net Position - Governmental Activities	<u>\$ 67,532,911</u>
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The accompanying notes are an integral part of these financial statements.

**SYLVAN UNION SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
LCFF sources	\$ 62,329,422	\$ -	\$ 62,329,422
Federal sources	4,341,642	2,509,406	6,851,048
Other state sources	9,554,250	204,467	9,758,717
Other local sources	4,025,293	3,103,806	7,129,099
Total Revenues	80,250,607	5,817,679	86,068,286
EXPENDITURES			
Current			
Instruction	51,175,064	-	51,175,064
Instruction-related services			
Instructional supervision and administration	2,970,312	-	2,970,312
Instructional library, media, and technology	1,037,802	-	1,037,802
School site administration	4,224,942	-	4,224,942
Pupil services			
Home-to-school transportation	781,557	-	781,557
Food services	-	3,570,936	3,570,936
All other pupil services	2,795,755	-	2,795,755
General administration			
Centralized data processing	617,197	-	617,197
All other general administration	2,366,044	115,615	2,481,659
Plant services	8,883,775	54,071	8,937,846
Facilities acquisition and maintenance	508,380	857,430	1,365,810
Ancillary services	408,562	-	408,562
Transfers to other agencies	1,556,708	-	1,556,708
Debt service			
Principal	-	895,000	895,000
Interest and other	-	920,600	920,600
Total Expenditures	77,326,098	6,413,652	83,739,750
Excess (Deficiency) of Revenues Over Expenditures	2,924,509	(595,973)	2,328,536
Other Financing Sources (Uses)			
Transfers in	-	425,000	425,000
Other sources	617,840	-	617,840
Transfers out	(425,000)	-	(425,000)
Net Financing Sources (Uses)	192,840	425,000	617,840
NET CHANGE IN FUND BALANCE	3,117,349	(170,973)	2,946,376
Fund Balance - Beginning	18,692,373	8,107,413	26,799,786
Fund Balance - Ending	\$ 21,809,722	\$ 7,936,440	\$ 29,746,162

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

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

Net Change in Fund Balances - Governmental Funds \$ 2,946,376

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

Capital outlay:

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

Expenditures for capital outlay:	\$ 2,110,369	
Depreciation expense:	(3,171,376)	(1,061,007)

Debt service:

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

895,000

Debt proceeds:

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:

(617,840)

Gain or loss from the disposal of capital assets:

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:

(21,361)

Unmatured interest on long-term debt:

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

18,600

(continued on next page)

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

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. (1,126,971)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: (101,837)

Other expenditures relating to prior periods:

Certain expenditures recognized in governmental funds relate to prior periods. Typical examples are payments on structured legal settlements or retirement incentives paid over time. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations were first incurred, so they must not be recognized again in the current period. 197,640

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (412,407)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (226,030)

Internal Service Funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 191,173

Change in Net Position of Governmental Activities

\$	681,336
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SYLVAN UNION SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	Business-Type Activities Child Development Fund	Governmental Activities Internal Service Fund
ASSETS		
Current assets		
Cash and investments	\$ 699,721	\$ 1,556,765
Accounts receivable	73,313	-
Total current assets	773,034	1,556,765
Non-current assets		
Capital assets, net of accumulated depreciation	23,597	-
Total non-current assets	23,597	-
Total Assets	796,631	1,556,765
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	132,353	-
Total Deferred Outflows of Resources	132,353	-
LIABILITIES		
Current liabilities		
Accrued liabilities	4,021	64,162
Total current liabilities	4,021	64,162
Non-current liabilities		
Net pension liability	572,038	-
Compensated absences	24,840	-
Total non-current liabilities	596,878	-
Total Liabilities	600,899	64,162
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	54,735	-
Total Deferred Inflows of Resources	54,735	-
NET POSITION		
Net investment in capital assets	23,597	-
Unrestricted	249,753	1,492,603
Total Net Position	\$ 273,350	\$ 1,492,603

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

SYLVAN UNION SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities	Governmental Activities
	Child Development Fund	Internal Service Fund
OPERATING REVENUE		
Charges for services	\$ 933,543	\$ 1,312,246
Total operating revenues	933,543	1,312,246
OPERATING EXPENSE		
Salaries and benefits	671,706	-
Supplies and materials	12,848	-
Professional services	48,638	1,133,214
Depreciation	4,525	-
Total operating expenses	737,717	1,133,214
Operating income/(loss)	195,826	179,032
NON-OPERATING REVENUES/(EXPENSES)		
Interest income	5,539	12,141
Total non-operating revenues/(expenses)	5,539	12,141
CHANGE IN NET POSITION	201,365	191,173
Net Position - Beginning	71,985	1,301,430
Net Position - Ending	\$ 273,350	\$ 1,492,603

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

**SYLVAN UNION SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities	Governmental Activities
	Child Development Fund	Internal Service Fund
Cash flows from operating activities		
Cash received from user charges	\$ 923,854	\$ 1,419,719
Cash payments for payroll, insurance, and operating costs	(713,860)	(1,128,862)
Net cash provided by (used for) operating activities	209,994	290,857
Cash flows from investing activities		
Interest received	5,539	12,141
Net cash provided by (used for) investing activities	5,539	12,141
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	215,533	302,998
CASH AND CASH EQUIVALENTS		
Beginning of year	484,188	1,253,767
End of year	\$ 699,721	\$ 1,556,765
Reconciliation of operating income (loss) to cash provided by (used for) operating activities		
Operating income (loss)	\$ 195,826	\$ 179,032
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	4,525	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(9,689)	107,473
(Increase) decrease in deferred outflows of resources	(38,949)	-
Increase (decrease) in accounts payable	1,196	4,352
Increase (decrease) in compensated absences	9,574	-
Increase (decrease) in net pension liability	140,915	-
Increase (decrease) in deferred inflows of resources	(93,404)	-
Net cash provided by (used for) operating activities	\$ 209,994	\$ 290,857

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

SYLVAN UNION SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016

	Agency Funds
	Student Body
	Fund
ASSETS	
Cash and investments	\$ 230,321
Total Assets	\$ 230,321
LIABILITIES	
Due to student groups	\$ 230,321
Total Liabilities	\$ 230,321

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The District operates under a locally elected Board form of government and provides educational services to grades K-8 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

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

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

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

C. Basis of Presentation (*continued*)

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

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

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

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

Major Governmental Funds

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

Non-Major Governmental Funds

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

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

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

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2016

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

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds

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

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

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

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

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

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

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

C. Basis of Presentation (*continued*)

Proprietary Funds

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

Child Development Fund: This enterprise fund is used to account for the District's financial transactions related to child care in the District.

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

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

Fiduciary Funds

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Financial Statements

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

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

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Governmental Funds

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

Revenues – Exchange and Non-Exchange Transactions

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions (continued)

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

Unearned Revenue

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

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

Expenses/Expenditures

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

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

Cash and Cash Equivalents

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

Investments

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Inventories

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

Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over 2 – 50 years depending on asset types.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Premiums and Discounts

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

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

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

Fund Balance

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance (continued)

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

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

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

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

F. Interfund Activity

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

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Estimates

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

H. Budgetary Data

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

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

I. Property Tax

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

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2016

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

J. New Accounting Pronouncements

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

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

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

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

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental	Internal Service	Total	Business-Type	Fiduciary
	Funds	Funds	Governmental Activities	Activities	Funds
Investment in county treasury	\$ 31,022,517	\$ 1,556,765	\$ 32,579,282	\$ 699,721	\$ -
Cash on hand and in banks	-	-	-	-	230,321
Cash in revolving fund	11,000	-	11,000	-	-
Total cash and investments	\$ 31,033,517	\$ 1,556,765	\$ 32,590,282	\$ 699,721	\$ 230,321

B. Policies and Practices

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

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

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$33,457,459 and an amortized book value of \$33,279,003. The average weighted maturity for this pool is 483 days.

E. Credit Risk

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

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

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

G. Fair Value

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

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

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

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

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

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

	<u>Uncategorized</u>
Investment in county treasury	\$ 33,457,459
Total fair market value of investments	<u>\$ 33,457,459</u>

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Business- Type Activities
Federal Government				
Categorical aid	\$ 377,151	\$ 41,571	\$ 418,722	\$ -
State Government				
Categorical aid	639,620	3,260	642,880	-
Lottery	918,377	-	918,377	-
Local Government				
Other local sources	178,714	91,448	270,162	73,313
Total	\$ 2,113,862	\$ 136,279	\$ 2,250,141	\$ 73,313

NOTE 4 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due from/Due to)

At June 30, 2016, the Cafeteria Fund owed the General Fund \$110,615 for indirect costs.

Operating Transfers

Interfund transfers for the year ended June 30, 2016 consisted of a transfer of \$425,000 from the General Fund to the Special Reserve Fund for Capital Outlay Projects for bus, portables, and equipment purchases.

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 5 – CAPITAL ASSETS

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

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 23,015,113	\$ -	\$ -	\$ 23,015,113
Construction in progress	343,009	1,232,536	74,200	1,501,345
Total Capital Assets not Being Depreciated	23,358,122	1,232,536	74,200	24,516,458
Capital assets being depreciated				
Land improvements	1,446,511	-	-	1,446,511
Buildings & improvements	144,318,909	699,747	-	145,018,656
Furniture & equipment	9,158,759	252,286	697,443	8,713,602
Total Capital Assets Being Depreciated	154,924,179	952,033	697,443	155,178,769
Less Accumulated Depreciation				
Land improvements	794,657	69,564	-	864,221
Buildings & improvements	30,368,262	2,801,291	-	33,169,553
Furniture & equipment	6,446,431	300,521	676,082	6,070,870
Total Accumulated Depreciation	37,609,350	3,171,376	676,082	40,104,644
Governmental Activities				
Capital Assets, net	\$ 140,672,951	\$ (986,807)	\$ 95,561	\$ 139,590,583
Business-Type Activities				
Capital assets being depreciated				
Land improvements	\$ 62,440	\$ -	\$ -	\$ 62,440
Buildings & improvements	119,754	-	-	119,754
Furniture & equipment	32,204	-	-	32,204
Total Capital Assets Being Depreciated	214,398	-	-	214,398
Less Accumulated Depreciation				
Land improvements	55,249	1,381	-	56,630
Buildings & improvements	104,095	1,534	-	105,629
Furniture & equipment	26,932	1,610	-	28,542
Total Accumulated Depreciation	186,276	4,525	-	190,801
Business-Type Activities				
Capital Assets, net	\$ 28,122	\$ (4,525)	\$ -	\$ 23,597

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 5 – CAPITAL ASSETS (continued)

Depreciation expense for the year ended June 30, 2016 was charged to governmental activities as follows:

Instruction	\$	2,390,967
Instructional supervision and administration		16,835
Instructional library, media, and technology		114,263
School site administration		144,498
Home-to-school transportation		109,133
Food services		223,870
All other pupil services		559
Centralized data processing		2,388
All other general administration		38,257
Plant services		76,887
Community services		53,719
Total	\$	3,171,376

Depreciation expense of \$4,525 for Business-Type Activities was charged to the Enterprise function.

NOTE 6 – ACCRUED LIABILITIES

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

	General Fund	Non-Major Governmental Funds	Internal Service Funds	District-Wide	Total Governmental Activities	Total Business- Type Activities
Payroll	\$ 2,074,690	\$ 19,578	\$ -	\$ -	\$ 2,094,268	\$ 3,479
Construction	-	174,510	-	-	174,510	-
Vendors payable	1,156,121	102,931	64,162	-	1,323,214	542
Unmatured interest	-	-	-	296,817	296,817	-
Other liabilities	175,232	-	-	-	175,232	-
Total	\$ 3,406,043	\$ 297,019	\$ 64,162	\$ 296,817	\$ 4,064,041	\$ 4,021

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2016, consisted of \$18,520 in the General Fund attributable to federal sources.

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 8 – LONG-TERM DEBT

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

	Restated Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 38,357,648	\$ 1,126,971	\$ 895,000	\$ 38,589,619	\$ 1,019,098
Early retirement incentive	197,640	-	197,640	-	-
Compensated absences	226,723	101,837	-	328,560	-
Energy loan	-	617,840	-	617,840	-
Net OPEB obligation	3,306,556	412,407	-	3,718,963	-
Net pension liability	50,753,644	10,815,669	-	61,569,313	-
Total	\$ 92,842,211	\$ 13,074,724	\$ 1,092,640	\$ 104,824,295	\$ 1,019,098
	Restated Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016	Balance Due In One Year
Business-Type Activities					
Compensated absences	\$ 15,266	\$ 9,574	\$ -	\$ 24,840	\$ -
Net pension liability	431,123	140,915	-	572,038	-
Total	\$ 446,389	\$ 150,489	\$ -	\$ 596,878	\$ -

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for early retirement incentives are made in the General Fund.
- Payments for compensated absences are made in the fund in which the employee worked.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2016 amounted to \$328,560 for governmental activities and \$24,840 for business-type activities. These amounts are included as part of long-term liabilities in the government-wide financial statements.

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds

On May 10, 2007, the District issued Series 2007 General Obligation Bonds in the amount of \$22,000,000 to be used to repair, renovate, and upgrade aging school facilities, including technology, infrastructure, and other improvements. The Bonds accrue interest of between 4.00% and 12.00% per annum from the date of the issuance, which is payable semi-annually on March 1 and September 1 of each year through September 2031.

The Series 2007 General Obligation Bonds are scheduled to mature as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 515,000	\$ 847,950	\$ 1,362,950
2018	595,000	825,750	1,420,750
2019	685,000	800,150	1,485,150
2020	780,000	770,850	1,550,850
2021	880,000	737,650	1,617,650
2022 - 2026	6,275,000	3,011,856	9,286,856
2027 - 2031	10,320,000	1,269,756	11,589,756
2032	300,000	6,563	306,563
Total	\$ 20,350,000	\$ 8,270,525	\$ 28,620,525

On June 17, 2010, the District issued Series 2010 General Obligation Capital Appreciation Bonds and Convertible Capital Appreciation Bonds in the amount of \$11,996,169. The proceeds of the 2010 General Obligation Capital Appreciation Bonds and Convertible Capital Appreciation Bonds will be used for the specific school facilities projects. The Bonds accrue interest of between 3.14% and 6.66% per annum from the date of the issuance. The Capital Appreciation Bonds will accrete interest annually until 2033 at which time they will convert into current interest bonds which will mature through August 2049 as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 24,098	\$ 5,902	\$ 30,000
2018	30,190	9,810	40,000
2019	35,448	14,552	50,000
2020	36,388	18,612	55,000
2021	43,138	26,862	70,000
2022 - 2026	226,026	238,974	465,000
2027 - 2031	252,872	517,128	770,000
2032 - 2036	1,095,386	16,019,079	17,114,465
2037 - 2041	1,457,896	18,805,635	20,263,531
2042 - 2046	3,610,627	21,893,923	25,504,550
2047 - 2050	5,171,312	19,955,980	25,127,292
Accretion	5,451,238	(5,451,238)	-
Total	\$ 17,434,619	\$ 72,055,219	\$ 89,489,838

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

On February 22, 2011, the District issued Series 2011 General Obligation Refunding Bonds in the amount of \$4,860,000. The proceeds of the 2011 General Obligation Refunding Bonds were used to refund, on a current basis, the 2002 General Obligation Refunding Bonds, dated January 1, 2002, issued in the principal amount of \$12,285,000, of which \$4,805,000 principal amount was outstanding at the date of the issuance and to pay for costs of issuance of the Bonds. The Bond accrues interest between 3% and 4% per annum from the date of the issuance and is payable semi-annually on March 1 and September 1 of each year through September 2017.

The Series 2011 General Obligation Refunding Bonds are scheduled to mature as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 480,000	\$ 22,600	\$ 502,600
2018	325,000	6,500	331,500
Total	\$ 805,000	\$ 29,100	\$ 834,100

C. Early Retirement Incentive

The District has entered into early retirement incentive programs with several District employees, offering two years of service credit to the employee. These payments are by the District over a period of eight years. The remaining obligation of \$197,640 was paid during the year ended June 30, 2016.

D. California Energy Commission Loan

The District entered into a loan agreement with the California Energy Commission (CEC) during the 2015-2016 fiscal year. The proceeds from the loan will be used for energy efficiency projects within the District. The loan was offered with a zero percent interest rate, and the District will commence repayment beginning the 2016-2017 fiscal year. Proceeds from the first draw-down request in the amount of \$617,840 were received during the 2015-2016 fiscal year. As of June 30, 2016, the District had an outstanding CEC loan balance of \$617,840.

E. Net Pension Liability

The District's beginning net pension liability was \$51,184,767 and increased by \$10,956,584 during the year ended June 30, 2016. The ending net pension liability at June 30, 2016 was \$62,141,351. See Note 12 for additional information regarding the net pension liability.

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 9 – SELF-INSURANCE

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters.

The District participates in the Modesto City Schools Risk Management Authority (MCSRMA), an insurance purchasing pool, for property, liability and workers' compensation coverage. The intent of MCSRMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in MCSRMA. 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.

The Dental Program, for which the District retains risk of loss, is administered by the Self-Insurance fund. Under this program, the Self-Insurance fund provides coverage for a maximum of \$2,000 per year per participant. The District has contracted with a commercial insurance carrier to provide these employee health benefits. The District pays a monthly payment based on rates set by the carrier. Claims are paid for all participants regardless of claims flow. The Self-Insurance Fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The following represent the changes in approximate aggregate liabilities for the District from July 1, 2014 to June 30, 2016:

	Dental
Liability Balance, July 01, 2014	\$ 68,840
Claims & changes in estimates	1,066,813
Claims payments	(1,075,843)
Liability Balance, July 01, 2015	59,810
Claims & changes in estimates	1,133,214
Claims payments	(1,128,862)
Liability Balance, June 30, 2016	\$ 64,162
Assets available to pay claims at June 30, 2016	\$ 1,556,765

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 10 – FUND BALANCES

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

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable			
Revolving cash	\$ 10,000	\$ 1,000	\$ 11,000
Stores inventory	-	184,086	184,086
Total non-spendable	10,000	185,086	195,086
Restricted			
Educational programs	6,317,593	-	6,317,593
Capital projects	-	3,611,375	3,611,375
Debt service	-	2,425,570	2,425,570
All others	-	1,714,409	1,714,409
Total restricted	6,317,593	7,751,354	14,068,947
Assigned			
Insurance deductible	200,000	-	200,000
Instructional materials adoptions	1,526,771	-	1,526,771
Instructional technology	323,252	-	323,252
Professional learning	425,000	-	425,000
Electives 7-8 grade	225,000	-	225,000
Other postemployment benefits	393,862	-	393,862
Total assigned	3,093,885	-	3,093,885
Unassigned			
Reserve for economic uncertainties	2,270,582	-	2,270,582
Remaining unassigned	10,117,662	-	10,117,662
Total unassigned	12,388,244	-	12,388,244
Total	\$ 21,809,722	\$ 7,936,440	\$ 29,746,162

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

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

The District provides medical and dental insurance benefits to eligible retirees and their spouses.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	29
Active plan members	815
Total*	<u>844</u>

Number of participating employers	1
-----------------------------------	---

*As of July 1, 2015 actuarial study

B. Funding Policy

The District's contribution is currently based on a project pay-as-you-go funding method, that is, benefits are payable when due.

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

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 759,915
Interest on net OPEB obligation	132,262
Adjustment to annual required contribution	<u>(131,406)</u>
Annual OPEB cost (expense)	760,771
Contributions made	<u>(348,364)</u>
Increase (decrease) in net OPEB obligation	412,407
Net OPEB obligation, beginning of the year	<u>3,306,556</u>
Net OPEB obligation, end of the year	<u>\$ 3,718,963</u>

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

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

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2016	\$ 760,771	46%	\$ 3,718,963
2015	\$ 1,181,047	29%	\$ 3,306,556
2014	\$ 1,181,608	33%	\$ 2,469,788

D. Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2015	\$ -	\$ 8,115,669	\$ 8,115,669	0%	\$ 48,012,286	17%

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

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments and an annual healthcare cost trend rate of 5.0 percent initially. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 12 – PENSION PLANS

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

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 48,402,683	\$ 5,256,419	\$ 4,754,425	\$ 3,967,912
PERS Pension	13,738,668	2,714,865	1,314,566	1,489,165
Total	\$ 62,141,351	\$ 7,971,284	\$ 6,068,991	\$ 5,457,077

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits provided

The CalSTRS defined benefit plan has two benefit formulas:

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

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

CalSTRS 2% at 60

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

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 12 – PENSION PLANS (continued)

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

Benefits provided (continued)

CalSTRS 2% at 62

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 9.20% and 8.56% of their salary for fiscal year 2016, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$3,938,938 for the year ended June 30, 2016.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$2,221,133 to CalSTRS (7.126% of 2013-14 creditable compensation subject to CalSTRS).

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

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

District's proportionate share of the		
net pension liability	\$	48,402,683
State's proportionate share of the net		
pension liability associated with the District		25,599,616
Total	\$	<u>74,002,299</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.072 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2014.

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 12 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2016, the District recognized pension expense of \$3,967,912. In addition, the District recognized pension expense and revenue of \$1,982,450 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	\$ -	\$ 3,945,605
Differences between expected and actual experience	-	808,820
Changes in proportion and differences between District contributions and proportionate share of contributions	1,317,481	-
District contributions subsequent to the measurement date	3,938,938	-
	<u>\$ 5,256,419</u>	<u>\$ 4,754,425</u>

The \$3,938,938 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 219,580	\$ 1,121,205
2018	219,580	1,121,205
2019	219,580	1,121,205
2020	219,580	1,121,205
2021	219,580	134,803
2022	219,581	134,802
	<u>\$ 1,317,481</u>	<u>\$ 4,754,425</u>

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 12 – PENSION PLANS (continued)

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

Actuarial assumptions

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

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

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

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

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

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

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

* 10-year geometric average

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 12 – PENSION PLANS (continued)

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

Discount rate

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

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

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

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 73,084,285	\$ 48,402,683	\$ 27,890,281

Pension plan fiduciary net position

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

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Benefits provided

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

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 12 – PENSION PLANS (continued)

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

Contributions

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016 was 11.847% of annual payroll. Contributions to the plan from the District were \$1,283,547 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$13,738,668 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was 0.093 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,489,165. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	\$ -	\$ 470,424
Differences between expected and actual experience	785,186	-
Changes in assumptions	-	844,142
Changes in proportion and differences between District contributions and proportionate share of contributions	646,132	-
District contributions subsequent to the measurement date	1,283,547	-
	<u>\$ 2,714,865</u>	<u>\$ 1,314,566</u>

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 12 – PENSION PLANS (continued)

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

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

The \$1,283,547 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 488,756	\$ 408,689
2018	488,756	408,689
2019	453,806	379,581
2020	-	117,607
	<u>\$ 1,431,318</u>	<u>\$ 1,314,566</u>

Actuarial assumptions

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

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

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

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

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

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 12 – PENSION PLANS (continued)

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

Actuarial assumptions (continued)

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

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

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

* An expected inflation of 2.5% used for this period

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

Discount rate

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

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 12 – PENSION PLANS (continued)

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

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

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

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 22,360,826	\$ 13,738,668	\$ 6,568,767

Pension plan fiduciary net position

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

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Construction Commitments

As of June 30, 2016, the District had commitments with respect to unfinished projects of \$6,119,606.

SYLVAN UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in two joint ventures under joint powers authorities (JPAs), the Modesto City Schools Risk Management Authority and the School Infrastructure Financing Agency. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements. However, fund transactions between the JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental and Business-Type Activities have been restated in order to record the District's business-type activities proportionate share of net pension liability and deferred outflows of resources related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The effect on beginning net position is presented as follows:

	Governmental Activities	Business-Type Activities
Net Position - Beginning, as Previously Reported	\$ 66,365,717	\$ 557,843
Restatement	485,858	(485,858)
Net Position - Beginning, as Restated	<u>\$ 66,851,575</u>	<u>\$ 71,985</u>

NOTE 16 – SUBSEQUENT EVENT

On August 16, 2016, the District issued Series 2016 General Obligation Refunding Bonds in the amount of \$17,315,000. The proceeds of the 2016 General Obligation Refunding Bonds were used to refund, on a current basis, the District's outstanding Election of 2006, Series 2007 bonds and to pay for costs of issuance of the bonds. The Bond accrues interest between 2% and 5% per annum from the date of the issuance and is payable semi-annually on February 1 and August 1 of each year through August 2030.

REQUIRED SUPPLEMENTARY INFORMATION

**SYLVAN UNION SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	\$ 59,180,923	\$ 62,174,014	\$ 62,329,422	\$ 155,408
Federal sources	4,532,297	5,148,519	4,341,642	(806,877)
Other state sources	3,524,920	7,013,145	7,333,118	319,973
Other local sources	3,902,420	3,937,831	4,022,953	85,122
Total Revenues	71,140,560	78,273,509	78,027,135	(246,374)
EXPENDITURES				
Certificated salaries	35,936,720	35,627,717	36,894,901	(1,267,184)
Classified salaries	10,605,451	10,734,302	11,209,832	(475,530)
Employee benefits	12,864,967	12,746,986	12,680,164	66,822
Books and supplies	2,893,027	3,884,915	2,885,320	999,595
Services and other operating expenditures	7,909,362	9,632,588	9,313,994	318,594
Capital outlay	826,670	1,936,970	674,662	1,262,308
Other outgo				
Excluding transfers of indirect costs	1,495,338	1,541,610	1,556,708	(15,098)
Transfers of indirect costs	(112,363)	(112,363)	(110,615)	(1,748)
Total Expenditures	72,419,172	75,992,725	75,104,966	887,759
Excess (Deficiency) of Revenues				
Over Expenditures	(1,278,612)	2,280,784	2,922,169	641,385
Other Financing Sources (Uses)				
Other sources	-	525,000	617,840	92,840
Transfers out	(581,100)	(581,100)	(581,100)	-
Net Financing Sources (Uses)	(581,100)	(56,100)	36,740	92,840
NET CHANGE IN FUND BALANCE				
	(1,859,712)	2,224,684	2,958,909	734,225
Fund Balance - Beginning	18,456,951	18,456,951	18,456,951	-
Fund Balance - Ending	\$ 16,597,239	\$ 20,681,635	\$ 21,415,860	\$ 734,225

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

- On behalf payments of \$2,221,132 are not included in the actual revenues and expenditures reported in this schedule.
- 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 Special Reserve Fund for Other Postemployment Benefits in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**SYLVAN UNION SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2015	\$ -	\$ 8,115,669	\$ 8,115,669	0%	\$ 48,012,286	17%
December 1, 2013	\$ -	\$ 8,410,354	\$ 8,410,354	0%	\$ 40,762,442	21%
December 1, 2009	\$ -	\$ 6,504,067	\$ 6,504,067	0%	\$ 35,704,741	18%

See accompanying note to required supplementary information.

SYLVAN UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CALSTRS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.072%	0.070%
District's proportionate share of the net pension liability	\$ 48,402,683	\$ 40,830,455
States's proportionate share of the net pension liability associated with the District	25,599,616	24,655,192
Total	<u>\$ 74,002,299</u>	<u>\$ 65,485,647</u>
District's covered-employee payroll	\$ 36,721,698	\$ 33,936,573
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.8%	120.3%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%	76.5%

See accompanying note to required supplementary information.

SYLVAN UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CALPERS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.093%	0.091%
District's proportionate share of the net pension liability	\$ 13,738,668	\$ 10,354,312
District's covered-employee payroll	\$ 11,290,588	\$ 10,384,674
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	121.7%	99.7%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%	83.4%

See accompanying note to required supplementary information.

SYLVAN UNION SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 3,938,938	\$ 3,013,162
Contributions in relation to the contractually required contribution*	(3,938,938)	(3,013,162)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 36,721,698	\$ 33,936,573
Contributions as a percentage of covered-employee payroll	10.73%	8.88%

*Amounts do not include on behalf contributions

SYLVAN UNION SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,283,547	\$ 1,222,380
Contributions in relation to the contractually required contribution	(1,283,547)	(1,222,380)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 11,290,588	\$ 10,384,674
Contributions as a percentage of covered-employee payroll	11.37%	11.77%

See accompanying note to required supplementary information.

**SYLVAN UNION SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE 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 the District's Proportionate Share of the Net Pension Liability

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

Schedule of District Contributions

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

SYLVAN UNION SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2016, the District incurred an excess of expenditures over appropriations in the General Fund as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 35,627,717	\$ 36,894,901	\$ 1,267,184
Classified salaries	\$ 10,734,302	\$ 11,209,832	\$ 475,530
Other outgo			
Excluding transfers of indirect costs	\$ 1,541,610	\$ 1,556,708	\$ 15,098

SUPPLEMENTARY INFORMATION

SYLVAN UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 1,985,047
Title I, Part A, Program Improvement LEA Corrective Action	84.010	14957	7,471
Subtotal Title I, Part A			1,992,518
Title II, Part A, Teacher Quality	84.367	14341	299,450
Title III			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	103,246
Title III, Immigrant Education Program	84.365	15146	13,435
Subtotal Title III			116,681
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,679,555
IDEA Local Assistance Entitlement, Private School ISPs	84.027	10115	1,525
Subtotal Special Education Cluster			1,681,080
Total U. S. Department of Education			4,089,729
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	13390	60,619
School Breakfast Needy	10.553	13526	367,536
National School Lunch Program	10.555	13391	1,814,106
USDA Commodities	10.555	*	234,582
Meal Supplements	10.555	*	32,564
Subtotal Child Nutrition Cluster			2,509,407
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	102,458
Medi-Cal Administrative Activities	93.778	10060	149,454
Subtotal Medicaid			251,912
Total U. S. Department of Health & Human Services			251,912
Total Federal Expenditures			\$ 6,851,048

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

**SYLVAN UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2016**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	3,275.26	3,283.04
Extended Year Special Education	4.24	4.24
Total TK/K through Third	3,279.50	3,287.28
Fourth through Sixth		
Regular ADA	2,637.76	2,638.13
Extended Year Special Education	3.67	3.67
Total Fourth through Sixth	2,641.43	2,641.80
Seventh through Eighth		
Regular ADA	1,942.89	1,941.40
Extended Year Special Education	1.62	1.62
Total Seventh through Eighth	1,944.51	1,943.02
TOTAL SCHOOL DISTRICT	7,865.44	7,872.10

**SYLVAN UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2016**

Grade Level	Minutes Requirement	2015-16 Actual	Number of Days	Status
		Minutes		
Kindergarten	36,000	36,000	180	Complied
Grade 1	50,400	53,190	180	Complied
Grade 2	50,400	53,190	180	Complied
Grade 3	50,400	53,190	180	Complied
Grade 4	54,000	54,830	180	Complied
Grade 5	54,000	54,830	180	Complied
Grade 6	54,000	55,786	180	Complied
Grade 7	54,000	63,360	180	Complied
Grade 8	54,000	63,360	180	Complied

See accompanying note to supplementary information.

**SYLVAN UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

	2017 (Budget)	2016	2015	2014***
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 78,536,993	\$ 78,644,975	\$ 67,528,141	\$ 60,925,025
Expenditures And Other Financing Uses	83,693,631	75,686,066	65,985,971	59,344,958
Net change in Fund Balance	<u>\$ (5,156,638)</u>	<u>\$ 2,958,909</u>	<u>\$ 1,542,170</u>	<u>\$ 1,580,067</u>
Ending Fund Balance	<u>\$ 16,259,222</u>	<u>\$ 21,415,860</u>	<u>\$ 18,456,951</u>	<u>\$ 16,993,395</u>
Available Reserves*	<u>\$ 12,284,198</u>	<u>\$ 12,388,244</u>	<u>\$ 12,940,592</u>	<u>\$ 11,777,932</u>
Available Reserves As A Percentage Of Outgo	<u>14.68%</u>	<u>16.37%</u>	<u>19.61%</u>	<u>19.85%</u>
Long-term Debt	<u>\$ 103,805,197</u>	<u>\$ 105,421,173</u>	<u>\$ 93,273,334</u>	<u>\$ 38,846,704</u>
Average Daily Attendance At P-2	<u>7,865</u>	<u>7,865</u>	<u>7,958</u>	<u>7,855</u>

The General Fund balance has increased by \$4,422,465 over the past two years. The fiscal year 2016-17 budget projects a decrease of \$5,156,638. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating deficit during the 2016-17 fiscal year. Total long term obligations have increased by \$66,574,469 over the past two years.

Average daily attendance has increased by 10 ADA over the past two years. No change in ADA is anticipated during the 2016-17 fiscal year.

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

** On behalf payments of \$2,221,132 are not included in the actual revenues and expenditures reported in this schedule. 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 Special Reserve Fund for Other Postemployment Benefits in accordance with the fund type definitions promulgated by GASB Statement No. 54.

*** 2014 amounts include the Special Reserve Fund for Other Postemployment Benefits.

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

	General Fund	Special Reserve Fund for Other Postemployment Benefits	Child Development Fund
June 30, 2016, annual financial and budget report fund balance	\$ 21,415,860	\$ 393,862	\$ 767,770
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Allocation of STRS and PERS pensions	-	-	(522,944)
Fund balance transfer (GASB 54)	393,862	(393,862)	-
Net adjustments and reclassifications	393,862	(393,862)	(522,944)
June 30, 2016, audited financial statement fund balance	<u>\$ 21,809,722</u>	<u>\$ -</u>	<u>\$ 244,826</u>

See accompanying note to supplementary information.

**SYLVAN UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2016**

Charter School	Status	Included in Audit Report
Aspire University Charter	Active	No

See accompanying note to supplementary information.

SYLVAN UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2016

	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
ASSETS							
Cash and investments	\$ 1,151,277	\$ 736,678	\$ 2,964,018	\$ 165,706	\$ 580,460	\$ 2,425,570	\$ 8,023,709
Accounts receivable	59,912	-	-	76,367	-	-	136,279
Stores inventory	184,086	-	-	-	-	-	184,086
Total Assets	\$ 1,395,275	\$ 736,678	\$ 2,964,018	\$ 242,073	\$ 580,460	\$ 2,425,570	\$ 8,344,074
LIABILITIES							
Accrued liabilities	\$ 121,843	\$ -	\$ 98,143	\$ 76,367	\$ 666	\$ -	\$ 297,019
Due to other funds	110,615	-	-	-	-	-	110,615
Total Liabilities	232,458	-	98,143	76,367	666	-	407,634
FUND BALANCES							
Non-spendable	185,086	-	-	-	-	-	185,086
Restricted	977,731	736,678	2,865,875	165,706	579,794	2,425,570	7,751,354
Total Fund Balances	1,162,817	736,678	2,865,875	165,706	579,794	2,425,570	7,936,440
Total Liabilities and Fund Balance	\$ 1,395,275	\$ 736,678	\$ 2,964,018	\$ 242,073	\$ 580,460	\$ 2,425,570	\$ 8,344,074

See accompanying note to supplementary information.

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

	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
REVENUES							
Federal sources	\$ 2,509,406	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,509,406
Other state sources	177,291	-	-	-	-	27,176	204,467
Other local sources	1,210,459	6,451	29,020	81,906	3,109	1,772,861	3,103,806
Total Revenues	3,897,156	6,451	29,020	81,906	3,109	1,800,037	5,817,679
EXPENDITURES							
Current							
Pupil services							
Food services	3,570,936	-	-	-	-	-	3,570,936
General administration							
All other general administration	110,615	-	-	5,000	-	-	115,615
Plant services	54,071	-	-	-	-	-	54,071
Facilities acquisition and maintenance	-	-	568,374	-	289,056	-	857,430
Debt service							
Principal	-	-	-	-	-	895,000	895,000
Interest and other	-	-	-	-	-	920,600	920,600
Total Expenditures	3,735,622	-	568,374	5,000	289,056	1,815,600	6,413,652
Excess (Deficiency) of Revenues							
Over Expenditures	161,534	6,451	(539,354)	76,906	(285,947)	(15,563)	(595,973)
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	425,000	-	425,000
Net Financing Sources (Uses)	-	-	-	-	425,000	-	425,000
NET CHANGE IN FUND BALANCE	161,534	6,451	(539,354)	76,906	139,053	(15,563)	(170,973)
Fund Balance - Beginning	1,001,283	730,227	3,405,229	88,800	440,741	2,441,133	8,107,413
Fund Balance - Ending	\$ 1,162,817	\$ 736,678	\$ 2,865,875	\$ 165,706	\$ 579,794	\$ 2,425,570	\$ 7,936,440

See accompanying note to supplementary information.

**SYLVAN UNION SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2016**

The Sylvan Union School District was established in 1946 under the laws of the State of California. The District is currently operating ten elementary schools and three intermediate schools. All of the District's schools are located in Stanislaus County. The District is comprised of approximately 23 square miles. There were no changes to the District's boundaries during the current year.

GOVERNING BOARD

Member	Office	Term Expires
Ms. Jennifer Miyakawa	President	December 2019
Ms. Terriann Zeek	Vice President	December 2017
Ms. Cynthia Lindsey	Member	December 2017
Mr. George Rawe	Member	December 2017
Mr. David Collins	Member	December 2019

DISTRICT ADMINISTRATORS

Ms. Debra Hendricks
Superintendent

Ms. Sharon Roddick
Assistant Superintendent, Human Resources

Ms. Laura Wharff
Assistant Superintendent, Curriculum

Ms. Yvonne Perez
Assistant Superintendent, Business Services

Ms. Laura Grimm*
Director of Fiscal Services

*Ms. Grimm retired subsequent to June 30, 2016 and was replaced by Ms. Cheryl Phan

SYLVAN UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

Combining Statements – Non-Major Funds

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

Local Education Agency Organization Structure

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

**OTHER INDEPENDENT
AUDITORS' REPORTS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board
Sylvan Union School District
Modesto, 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, the business-type activities, the major fund, and the aggregate remaining fund information of Sylvan Union School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Sylvan Union 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 Sylvan Union 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 Sylvan Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sylvan Union School District's internal control.

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

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State Board of Accountancy*

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California
December 12, 2016

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

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
Sylvan Union School District
Modesto, California

Report on Compliance for Each Major Federal Program

We have audited Sylvan Union 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 Sylvan Union School District's major federal programs for the year ended June 30, 2016. Sylvan Union School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sylvan Union 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 Sylvan Union 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 Sylvan Union School District's compliance.

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

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Opinion on Each Major Federal Program

In our opinion, Sylvan Union 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 Sylvan Union 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 Sylvan Union 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 Sylvan Union School District's internal control over compliance.

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

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

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



San Diego, California
December 12, 2016

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
Sylvan Union School District
Modesto, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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State Board of Accountancy*

Opinion on State Compliance

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as items #2016-1 and #2016-2. Our opinion on state compliance is not modified with respect to these matters.

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

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

PROGRAM NAME	PROCEDURES PERFORMED
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
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Independent Study, because the reported ADA was below the threshold required for testing.

Christy White Associates

San Diego, California
December 12, 2016

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**SYLVAN UNION SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
<u>84.027</u>	<u>Special Education Cluster</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>750,000</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

STATE AWARDS

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

**SYLVAN UNION SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

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

SYLVAN UNION SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no Federal award findings and questioned costs for the year ended June 30, 2016.

**SYLVAN UNION SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

FIVE DIGIT CODE

10000
40000
42000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

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

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

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

Condition: Two (2) of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as FRPM did not have proper supporting documentation to justify their designation. Each of the students in question were selected for NSLP Income Verification and were changed to “Paid” status as a result of verification procedures. Upon further testing of 100% of the NSLP Income Verification sample selected for 2015-16, we identified an additional 34 students without proper supporting documentation for a total of 36 ineligible students.

Cause: Incorrect classification of students.

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

Context: 36 of 13,697 (4,494 in 2013-14, 4,561 in 2014-15 and 4,642 in 2015-16) students reported in the District’s Unduplicated Pupil Count did not have proper supporting documentation to support their FRPM designation.

SYLVAN UNION SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2016

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

Questioned Cost: \$31,106, as calculated below.

UPP Audit Adjustment		Section 1: Regular UPP	Section 2: Alternate UPP*
1	Total Adjusted Enrollment from the UPP exhibit as of P-2	24,840	24,961
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	13,697	13,764
3	Number of Unduplicated Pupil Count audit adjustment		(36)
4	Revised Adjusted Unduplicated Pupil Count	13,661	13,728
5	UPP calculated as of P-2	0.5514	0.5514
6	Revised UPP for audit finding	0.5500	0.5500
7	Greater of Revised UPP for audit finding from Section 1 or 2		0.5500
8	Charter Schools Only: Determinative School District Concentration Cap		
9	Revised UPP adjusted for Concentration Cap		0.5500
LCFF Target Base Grant Funding		Estimated Values	
10	Total Base Grant Funding as of P-2	\$60,392,404	
LCFF Target Supplemental Grant Funding Audit Adjustment			
11	Target Supplemental Grant Funding calculated as of P-2	\$6,660,074	
12	Revised Target Supplemental Grant Funding for audit finding	\$6,643,164	
13	Target Supplemental Grant Funding audit adjustment	(\$16,910)	
LCFF Target Concentration Grant Funding Audit Adjustment			
14	Target Concentration Grant Funding calculated as of P-2	\$42,275	
15	Revised Target Concentration Grant Funding for audit finding	\$0	
16	Target Concentration Grant Funding audit adjustment	(\$42,275)	
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target			
17	Total Target Supplemental and Concentration audit adjustment	(\$59,185)	
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap			
18	Statewide Gap Funding Rate as of P-2	0.5255761597	
21	Estimated Cost of Unduplicated Pupil Count audit adjustment	(\$31,106)	

SYLVAN UNION SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, *continued*
FOR THE YEAR ENDED JUNE 30, 2016

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

Recommendation: We recommend that the District ensure that all changes in FRPM eligibility based on outcome of NSLP Income Verification are accurately reflected in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report following the completion of procedures and prior to the close of the fall amendment window.

District Response: Student data which includes Free and Reduced Price Meal Status (FRPM) is reported to CALPADS based on data as of the CBEDS date which occurs annually on the first Wednesday in October. Verification of income as required by federal regulations must be completed annually by November 10. CALPADS guidelines require students FRPM status to be changed for students selected to verify income, and who fail to meet the deadline. Student data is compiled for all other student reporting as of the CBEDS date, except for FRPM reporting which must be revised even though the students were legally receiving FRPM as of the CBEDS date. The FRPM data base maintained by the Food Service Department must accurately reflect the date changes in status for each student. Therefore, the data between the two systems will be different as of the CBEDS date.

In future reporting periods, the District will manually adjust the data uploaded to CALPADS for the December certification to comply with CALPADS requirements for FRPM data.

SYLVAN UNION SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, *continued*
FOR THE YEAR ENDED JUNE 30, 2016

FINDING #2016-2: INSTRUCTIONAL MATERIALS (70000)

Criteria: In accordance with *California Education Code Section 60119(1)(C)* the resolution on instructional materials must include a written determination as to the following:

- Whether each pupil enrolled in a foreign language or health course had sufficient textbooks or instructional materials that were consistent with the content and cycles of the curriculum frameworks adopted by the State Board of Education for those subjects

Condition: In our review of documentation related to the sufficiency of textbooks and instructional materials, it was noted that the statements related to foreign language and health course materials were omitted.

Effect: The District was not in compliance with the requirements related to instructional materials.

Cause: Administrative oversight in regards to drafting the resolution on the sufficiency of textbooks and instructional materials.

Questioned Cost: None. Based on an LEA advisory from the *California State Controller* dated October 1, 2014, the requirements are verified for compliance only and a finding does not result in disallowance of funds.

Recommendation: We recommend that the resolution be revised to include the necessary elements related to foreign language and health course material.

District's Response: The District will include the additional required language in the resolution presented annually in August to the Board.

SYLVAN UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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