

**SAN RAFAEL CITY  
ELEMENTARY SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2015**

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## ***Financial Section***

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**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
*For the Fiscal Year Ended June 30, 2015*  
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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Rafael City Elementary School District, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Rafael City Elementary School District, as of June 30, 2015, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1.I. to the basic financial statements, the District has changed its method for accounting and reporting for pensions during fiscal year 2014-15 due to the adoption of Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27" and No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68". The adoption of these standards required retrospective application resulting in a \$30,902,291 reduction of previously reported net position at July 1, 2014. Our opinion is not modified with respect to this matter.

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, budgetary comparison information on page 44, schedule of funding progress on page 45, schedule of proportionate share of the net pension liability on page 46, and schedule of contributions on page 47, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information on pages 50 to 53, and the schedule of expenditures of federal awards on page 54, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 49 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Nigro+Nigro, PC*

Murrieta, California  
December 14, 2015

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2015*

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This discussion and analysis of San Rafael City Elementary School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- Overall revenues were \$52.7 million, and overall expenses were \$52.4 million.
- The District's net position increased by \$0.3 million.
- The total cost of the basic programs was \$52.4 million. Because a portion of these costs were paid for with charges, fees and intergovernmental aid, the net cost that required taxpayer funding was \$42.0 million.
- The District's outstanding long-term debt decreased by approximately \$6.9 million.
- Average daily attendance (ADA) in grades K-8 increased by 85, or 1.9%

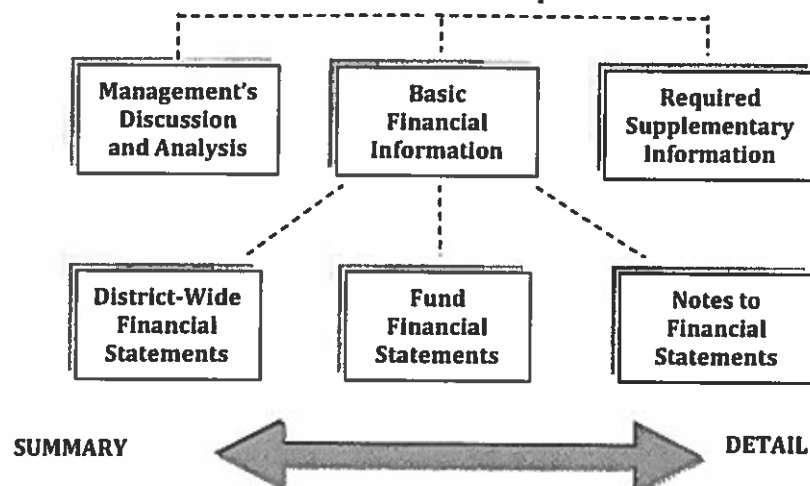
**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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



**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2015**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

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

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

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

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



**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2015*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**District-Wide Statements**

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

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

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

**Fund Financial Statements**

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

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

The District has two kinds of funds:

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

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT****Management's Discussion and Analysis (Unaudited)****For the Fiscal Year Ended June 30, 2015****FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's combined net position was higher on June 30, 2015, than it was the year before – increasing 1.4% to \$(21.3) million (See Table A-1).

**Table A-1**

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2015</b>	<b>2014*</b>	<b>Increase (Decrease)</b>
Current assets	\$ 20,682,452	\$ 19,108,833	\$ 1,573,619
Capital assets	69,988,958	72,252,038	(2,263,080)
<b>Total assets</b>	<b>90,671,410</b>	<b>91,360,871</b>	<b>(689,461)</b>
<b>Total deferred outflows</b>	<b>3,166,079</b>	<b>2,432,902</b>	<b>733,177</b>
Current liabilities	3,751,847	3,892,676	(140,829)
Long-term liabilities	104,554,283	111,521,120	(6,966,837)
<b>Total liabilities</b>	<b>108,306,130</b>	<b>115,413,796</b>	<b>(7,107,666)</b>
<b>Total deferred inflows</b>	<b>6,856,032</b>	<b>-</b>	<b>6,856,032</b>
<b>Net position</b>			
Net investment in capital assets	14,054,879	13,353,790	701,089
Restricted	7,580,326	7,651,498	(71,172)
Unrestricted	(42,959,878)	(42,625,311)	(334,567)
<b>Total net position</b>	<b>\$ (21,324,673)</b>	<b>\$ (21,620,023)</b>	<b>\$ 295,350</b>

\* As restated

**Changes in net position, governmental activities.** The District's total revenues increased 8.1% to \$52.7 million (See Table A-2). The increase is due primarily to increased federal and state funding.

The total cost of all programs and services increased 7.7% to \$52.4 million. The District's expenses are predominantly related to educating and caring for students, 73.9%. The purely administrative activities of the District accounted for just 5.8% of total costs. A significant contributor to the increase in costs was related to increasing enrollment.

**Table A-2**

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2015</b>	<b>2014</b>	<b>Increase (Decrease)</b>
Total Revenues	\$ 52,670,194	\$ 48,715,280	\$ 3,954,914
Total Expenses	52,374,844	48,643,315	3,731,529
<b>Increase (decrease) in net position</b>	<b>\$ 295,350</b>	<b>\$ 71,965</b>	<b>\$ 223,385</b>

## SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2015

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#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$17.5 million, which is above last year's ending fund balance of \$15.8 million. The primary cause of the increased fund balance is increased revenues received from federal and state funding.

#### General Fund Budgetary Highlights

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

- Revenues – increased by \$2.0 million primarily to reflect increases from federal, state, and local sources.
- Salaries and benefits costs – increased approximately \$0.9 million due to changes in staffing levels.
- Other non-capital expenses – increased \$2.4 million to allocate resources for the schools.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$1.9 million, the actual results for the year show that revenues exceeded expenditures by roughly \$1.7 million. Actual revenues were \$0.4 million less than anticipated, and expenditures were \$3.9 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2015 that will be carried over into the 2015-16 budget.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### Capital Assets

By the end of 2014-15 the District had invested \$0.8 million in new capital assets, related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$3.0 million.

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

	Governmental Activities (In millions)		Variance
	2015	2014	Increase (Decrease)
Land	\$ 0.7	\$ 0.7	-
Improvement of sites	6.0	6.6	(0.6)
Buildings	62.7	64.1	(1.4)
Equipment	0.5	0.4	0.1
Construction in progress	0.1	0.5	(0.4)
Total	<u>\$ 70.0</u>	<u>\$ 72.3</u>	<u>\$ (2.3)</u>

## SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2015

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#### CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

##### Long-Term Debt

At year-end the District had \$104.6 million in general obligation bonds, certificates of participation, capital leases and employment benefits – a decrease of approximately \$6.9 million – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

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

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2015	2014*	
General obligation bonds	\$ 69.8	\$ 71.2	\$ (1.4)
Certificates of participation	3.7	3.8	(0.1)
Other postemployment benefits	4.2	3.5	0.7
Net pension liability	26.6	32.7	(6.1)
Compensated absences	0.3	0.3	-
<b>Total</b>	<b>\$ 104.6</b>	<b>\$ 111.5</b>	<b>\$ (6.9)</b>

\* As restated

#### FACTORS BEARING ON THE DISTRICT'S FUTURE

##### Overview

On June 16, 2015, the Governor, the Senate President pro Tempore, and the Speaker of the Assembly announced a budget agreement. The Legislature passed the budget bill and related legislation on Friday, June 19. The budget agreement relies on the administration's May 2015 estimates of (1) General Fund revenues, (2) the Proposition 98 minimum guarantee for schools and community colleges, and (3) budget reserve and debt payment requirements under Proposition 2. School and community college funding is the centerpiece of the agreement, as administration estimates of the Proposition 98 minimum guarantee have increased substantially over June 2014 levels. With savings resulting from (1) rejection of various administration proposals, (2) an error in the administration's Medi-Cal estimates, (3) legislative changes made to the Middle-Class Scholarship Program, and (4) other legislative actions, the agreement makes modest augmentations outside of Proposition 98 above May Revision levels.

##### 2015-16 to End With \$4.6 Billion in Estimated Total Reserves

The budget agreement assumes \$115 billion in revenues, a 3.3 percent increase over 2014-15. (This total is net of the \$1.9 billion deposit in the Proposition 2 Budget Stabilization Account [BSA].) The state's "big three" General Fund taxes—the personal income tax, sales and use tax, and corporation tax—are estimated to increase at a slightly higher rate (4 percent). General Fund revenue growth was much higher in 2014-15, increasing at a very healthy 7.7 percent rate. General Fund spending is largely flat across 2014-15 and 2015-16, increasing at only 0.8 percent. Growth in ongoing programmatic spending, however, is masked by various one-time actions, including one-time spending in 2014-15 on debt payments and mandate backlog claims, and the end of the "triple flip" mechanism used to finance the state's prior deficit financing bonds. The budget ends 2015-16 with \$4.6 billion in estimated total reserves, including \$1.1 billion in the Special Fund for Economic Uncertainties—the state's traditional budget reserve—and \$3.5 billion in the BSA.

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2015*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

**Proposition 98**

***Substantial Upward Revisions to Estimates of Proposition 98 Minimum Guarantee***

State budgeting for preschool, elementary and secondary schools, and the California Community Colleges (CCC) is based primarily on Proposition 98, approved by voters in 1988. Proposition 98 established a minimum funding requirement commonly called the minimum guarantee. The estimate of the 2013-14 and 2014-15 minimum guarantees have increased \$612 million and \$5.4 billion, respectively from the June 2014 estimates. The estimate of the 2015-16 minimum guarantee is \$7.6 billion (12 percent) higher than the 2014-15 Budget Act level. These increases in the guarantee are due primarily to state revenues being higher than assumed in last year's budget package. The budget package funds at these latest estimates of the minimum guarantees.

***Large Upward 2014-15 Adjustments Result in Relatively Modest Year-Over-Year Growth***

Growth from the revised 2014-15 level to 2015-16 is \$2.1 billion (3 percent). This relatively modest growth is due to the large upward revision to 2014-15 noted above. In 2015-16, total Proposition 98 funding is \$68.4 billion. Of this amount, \$49.4 billion is General Fund and \$19 billion is local property tax revenue. The notable increase in local property tax revenue from 2014-15 to 2015-16 (\$2.3 billion, 14 percent) is due in large part to the end of the triple flip and the shift of associated local property tax revenue back from cities, counties, and special districts to school and community college districts. Growth in local property tax revenue is slightly greater than growth in the Proposition 98 minimum guarantee, resulting in a slight reduction in Proposition 98 General Fund from 2014-15 to 2015-16.

***Per-Student Funding Increases Significantly***

Under the budget package, K-12 per-student funding increases from the 2014-15 Budget Act level of \$8,931 to \$9,942 in 2015-16—an increase of \$1,011 (11 percent).

***Budget Package Contains Many Spending Changes***

The budget accounts for higher Local Control Funding Formula (LCFF) costs and uses the remaining funding increase for paying down the K-14 mandate backlog. In addition to these changes, the budget package includes a \$256 million settle-up payment related to meeting the Proposition 98 minimum guarantee for 2006-07 and 2009-10 and \$207 million in unspent prior-year Proposition 98 funds that have been repurposed.

***Package Notably Reduces Outstanding K-14 Obligations***

The budget package includes the following K-14 actions, all of which reduce the state's outstanding K-14 obligations.

- ***Pays Down Mandate Backlog.*** The budget package includes \$3.8 billion to pay down the K-14 mandate backlog (\$3.2 billion is for the K-12 backlog and \$632 million for the CCC backlog). After accounting for these payments, the LAO estimates the outstanding K-14 mandate backlog to be \$1.5 billion (\$1.2 billion for schools and about \$300 million for community colleges).
- ***Retires All K-14 Payment Deferrals.*** As required by trailer legislation enacted last year, the budget package provides \$992 million to eliminate all remaining K-14 payment deferrals. The budget year will be the first fiscal year since 2000-01 that the state is set to make all K-14 payments on time.
- ***Pays Off Emergency Repair Program (ERP) Obligation.*** The budget includes \$273 million for the final ERP payment. Statute requires the state to provide a total of \$800 million to school districts for emergency facility repairs, and the state has provided \$527 million to date. (Of the \$273 million, \$145 million comes from a settle-up payment and \$128 million comes from unspent prior-year Proposition 98 funds.)

## **SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**

### *Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2015*

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#### **FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

##### **K-12 Education**

###### ***Large Increase for Local Control Funding Formula (LCFF)***

The largest single augmentation in the state budget is \$6.0 billion for implementing the LCFF for school districts and charter schools—bringing total LCFF funding to \$52 billion. This reflects a 13 percent year-over-year increase in LCFF funding. The administration estimates this funding will close 52 percent of the remaining gap to LCFF target rates. The budget funds 90 percent of the estimated statewide full LCFF implementation cost. School districts and charter schools may use LCFF monies for any educational purpose, including implementation of their Local Control and Accountability Plans.

###### ***New Secondary School Career Technical Education (CTE) Competitive Grant Program***

The budget package includes \$900 million in one-time funding for a three-year competitive grant program to promote high-quality CTE. Of this amount, \$400 million is provided in 2015-16, \$300 million in 2016-17, and \$200 million in 2017-18. School districts, county offices of education (COEs), charter schools, and Regional Occupational Centers and Programs operated by joint powers agencies (JPAs) may apply for grants, individually or in consortia. The program provides separate pools of funding for large, medium-sized, and small applicants, based on applicants' average daily attendance (ADA) in grades 7-12. Specifically, 88 percent of the funding is reserved for applicants with ADA greater than 550, 8 percent is reserved for applicants with ADA between 140 and 550, and 4 percent is reserved for applicants with less than 140 ADA. The Superintendent of Public Instruction (SPI), in collaboration with the executive director of the State Board of Education (SBE), will determine the number of grants to be awarded and specific grant amounts.

###### ***Package of Special Education Actions***

The budget includes \$67 million for a package of special education-related activities. Of the \$67 million, \$52 million is ongoing and \$15 million is one time. The largest ongoing augmentation in this package is for expanding services for infants, toddlers, and preschoolers with disabilities as well as requiring preschool staff training and parent education relating to identifying and meeting preschoolers' special needs. The largest one-time augmentation is for one or two COEs to develop statewide resources and training opportunities for addressing students' diverse instructional and behavioral needs.

###### ***Second Round of Internet Infrastructure Grants***

The budget includes \$50 million in one-time funding for the second round of Broadband Internet Infrastructure Grants. The K-12 High Speed Network is to award grants to schools that cannot administer online tests or can only administer the tests by shutting down other essential online activities such as email. Grants may be used to purchase Internet infrastructure. The Department of Finance (DOF) must approve projects resulting in costs exceeding \$1,000 per test-taking pupil.

All of these factors were considered in preparing the San Rafael City Elementary School District budget for the 2015-16 fiscal year.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT****Statement of Net Position****June 30, 2015**

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	Total Governmental Activities
<b>ASSETS</b>	
Cash	\$ 18,526,824
Accounts receivable	2,150,273
Stores inventories	5,355
Nondepreciable capital assets	810,726
Depreciable capital assets	115,924,731
Less accumulated depreciation	<u>(46,746,499)</u>
Total assets	<u>90,671,410</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts on refunding	607,603
Amounts contributed after measurement date	2,331,086
Adjustments due to differences in proportions	<u>227,390</u>
Total deferred outflows of resources	<u>3,166,079</u>
<b>LIABILITIES</b>	
Accounts payable	3,689,366
Unearned revenue	62,481
Long-term liabilities:	
Due within one year	5,229,277
Due after one year	<u>99,325,006</u>
Total liabilities	<u>108,306,130</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Differences between projected and actual earnings on plan investments	<u>6,856,032</u>
<b>NET POSITION</b>	
Net investment in capital assets	14,054,879
Restricted for:	
Capital projects	412,428
Debt service	4,787,814
Categorical programs	2,380,084
Unrestricted	<u>(42,959,878)</u>
Total net position	<u>\$ (21,324,673)</u>

# SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

## Statement of Activities

For the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction	\$ 26,903,902	\$ -	\$ 4,795,398	\$ (22,108,504)
Instruction-related services				
Supervision of instruction	3,234,477	-	1,501,722	(1,732,755)
Instructional library, media and technology	532,666	-	164,540	(368,126)
School site administration	2,719,935	-	19,972	(2,699,963)
Pupil services:				
Home-to-school transportation	1,216,976	-	217,092	(999,884)
Food services	2,101,507	136,643	1,786,833	(178,031)
All other pupil services	2,010,334	-	1,217,578	(792,756)
General administration:				
Data processing	301,279	-	17,002	(284,277)
All other general administration	2,717,360	5,460	256,872	(2,455,028)
Plant services	3,708,580	-	18,914	(3,689,666)
Community services	52,215	-	2,281	(49,934)
Interest on long-term debt	3,390,911	-	-	(3,390,911)
Other outgo	405,902	-	222,543	(183,359)
Depreciation (unallocated)	3,078,800	-	-	(3,078,800)
<b>Total governmental activities</b>	<b>\$ 52,374,844</b>	<b>\$ 142,103</b>	<b>\$ 10,220,747</b>	<b>\$ (42,011,994)</b>
<b>General Revenues:</b>				
Property taxes				17,992,473
Federal and state aid not restricted to specific purposes				23,027,167
Interest and investment earnings				24,618
Miscellaneous				1,263,086
<b>Total general revenues</b>				<b>42,307,344</b>
<b>Change in net position</b>				<b>295,350</b>
<b>Net position - July 1, 2014, as originally stated</b>				<b>9,282,268</b>
<b>Adjustments for restatements (Note 1.I)</b>				<b>(30,902,291)</b>
<b>Net position - July 1, 2014, as restated</b>				<b>(21,620,023)</b>
<b>Net position - June 30, 2015</b>				<b>\$ (21,324,673)</b>



**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
**Balance Sheet – Governmental Funds**  
**June 30, 2015**

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 13,100,916	\$ 4,787,814	\$ 638,094	\$ 18,526,824
Accounts receivable	1,777,647	-	372,626	2,150,273
Due from other funds	87,033	-	26,818	113,851
Inventories	-	-	5,355	5,355
<b>Total Assets</b>	<b>\$ 14,965,596</b>	<b>\$ 4,787,814</b>	<b>\$ 1,042,893</b>	<b>\$ 20,796,303</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 3,041,283	\$ -	\$ 104,236	\$ 3,145,519
Due to other funds	26,819	-	87,032	113,851
Unearned revenue	62,481	-	-	62,481
<b>Total Liabilities</b>	<b>3,130,583</b>	<b>-</b>	<b>191,268</b>	<b>3,321,851</b>
<b>Fund Balances</b>				
Nonspendable	2,500	-	5,355	7,855
Restricted	1,941,318	4,787,814	846,270	7,575,402
Assigned	4,349,432	-	-	4,349,432
Unassigned	5,541,763	-	-	5,541,763
<b>Total Fund Balances</b>	<b>11,835,013</b>	<b>4,787,814</b>	<b>851,625</b>	<b>17,474,452</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 14,965,596</b>	<b>\$ 4,787,814</b>	<b>\$ 1,042,893</b>	<b>\$ 20,796,303</b>

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT*****Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position******June 30, 2015***

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**Total fund balances - governmental funds** **\$ 17,474,452**

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$116,735,457, and the accumulated depreciation is (\$46,746,499). **69,988,958**

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were: **607,603**

In government funds, interest on long term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: **(543,847)**

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	2,558,476	
Deferred inflows of resources	<u>(6,856,032)</u>	<b>(4,297,556)</b>

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

General obligation bonds payable	69,772,963	
Other postemployment benefits	4,237,200	
Net pension liability	26,576,187	
Compensated absences payable	250,257	
Capital leases payable	67,676	
Certificates of participation payable	<u>3,650,000</u>	<b>(104,554,283)</b>

**Total net position - governmental activities** **\$ (21,324,673)**

# SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

## Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2015

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
LCFF sources	\$ 32,304,522	\$ -	\$ -	\$ 32,304,522
Federal sources	2,182,844	-	1,728,038	3,910,882
Other state sources	3,831,620	25,958	258,401	4,115,979
Other local sources	7,315,421	4,981,671	902,392	13,199,484
<b>Total Revenues</b>	<b>45,634,407</b>	<b>5,007,629</b>	<b>2,888,831</b>	<b>53,530,867</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	27,356,994	-	107,319	27,464,313
Instruction-related services:				
Supervision of instruction	3,314,552	-	21,880	3,336,432
Instructional library, media and technology	522,477	-	-	522,477
School site administration	2,795,815	-	-	2,795,815
Pupil support services:				
Home-to-school transportation	1,217,806	-	-	1,217,806
Food services	-	-	2,175,802	2,175,802
All other pupil services	2,035,464	-	-	2,035,464
Community services	53,297	-	-	53,297
General administration services:				
Data processing services	435,584	-	-	435,584
Other general administration	2,083,101	-	-	2,083,101
Plant services	3,722,839	-	136,786	3,859,625
Transfers of indirect costs	(86,838)	-	86,838	-
Capital outlay	111,129	-	434,098	545,227
Intergovernmental transfers	405,902	-	-	405,902
Debt service:				
Principal	7,021	2,780,985	115,000	2,903,006
Interest	500	1,915,827	165,489	2,081,816
<b>Total Expenditures</b>	<b>43,975,643</b>	<b>4,696,812</b>	<b>3,243,212</b>	<b>51,915,667</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,658,764	310,817	(354,381)	1,615,200
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	20,000	-	305,082	325,082
Interfund transfers out	(305,082)	-	(20,000)	(325,082)
Proceeds from capital leases	73,663	-	-	73,663
<b>Total Other Financing Sources and Uses</b>	<b>(211,419)</b>	<b>-</b>	<b>285,082</b>	<b>73,663</b>
<b>Net Change in Fund Balances</b>	<b>1,447,345</b>	<b>310,817</b>	<b>(69,299)</b>	<b>1,688,863</b>
<b>Fund Balances, July 1, 2014</b>	<b>10,387,668</b>	<b>4,476,997</b>	<b>920,924</b>	<b>15,785,589</b>
<b>Fund Balances, June 30, 2015</b>	<b>\$ 11,835,013</b>	<b>\$ 4,787,814</b>	<b>\$ 851,625</b>	<b>\$ 17,474,452</b>

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2015**

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Total net change in fund balances - governmental funds \$ 1,688,863

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

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

Expenditures for capital outlay	815,720	
Depreciation expense	(3,078,800)	
Net:		(2,263,080)

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

2,903,006

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

(1,426,244)

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:

(73,663)

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

134,825

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

(43,400)

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

(705,592)

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

25,585

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

28,548

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

26,502

Change in net position of governmental activities

\$ 295,350

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT***Statement of Fiduciary Net Position**June 30, 2015*

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	<u>Agency Funds</u> <u>Student Body Funds</u>
<b>ASSETS</b>	
Cash	<u>\$ 11,216</u>
Total assets	<u><u>\$ 11,216</u></u>
<b>LIABILITIES</b>	
Due to student groups	<u>\$ 11,216</u>
Total liabilities	<u><u>\$ 11,216</u></u>

# **SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**

## ***Notes to Financial Statements***

***June 30, 2015***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **A. Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For San Rafael City Elementary School District, this includes general operations, food service, and student related activities of the District.

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

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

#### **B. Basis of Presentation, Basis of Accounting**

##### **1. Basis of Presentation**

###### **Government-Wide Financial Statements**

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

###### **Fund Financial Statements**

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

# **SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**

## *Notes to Financial Statements*

*June 30, 2015*

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

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

##### **1. Basis of Presentation (continued)**

###### **Major Governmental Funds**

The District maintains the following major governmental funds:

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

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

###### **Non-Major Governmental Funds**

The District maintains the following non-major governmental funds:

###### **Special Revenue Funds:**

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

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

###### **Capital Projects Funds:**

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

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

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

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

# **SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**

## *Notes to Financial Statements*

*June 30, 2015*

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

##### **1. Basis of Presentation (continued)**

###### **Fiduciary Funds**

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

**Agency Funds:** The District maintains a separate agency fund for the Associated Student Body (ASB) Fund at Davidson Middle School.

##### **2. Measurement Focus, Basis of Accounting**

###### **Government-Wide and Fiduciary Fund Financial Statements**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

###### **Governmental Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

##### **3. Revenues - Exchange and Non-Exchange Transactions**

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



# **SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**

## *Notes to Financial Statements*

*June 30, 2015*

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

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

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

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

#### **C. Budgetary Data**

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

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

#### **D. Encumbrances**

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

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

##### **1. Cash and Cash Equivalents**

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

##### **2. Inventories and Prepaid Items**

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

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

# SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2015

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 3. Capital Assets

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

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

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

##### 4. Unearned Revenue

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

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

##### 5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. Two items are to recognize contributions made to the pension plan after the measurement date and account for the change in proportionate share of the net pension liability. The third is deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has one item that is reported as deferred inflows of resources. That item is to recognize the District's proportionate share of the deferred inflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans".

## **SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**

### *Notes to Financial Statements*

*June 30, 2015*

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

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

###### **6. Compensated Absences**

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

###### **7. Pensions**

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

###### **8. Fund Balances**

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

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

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

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

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

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

## **SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**

### *Notes to Financial Statements*

*June 30, 2015*

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

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

###### **9. Net Position**

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

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

##### **F. Minimum Fund Balance Policy**

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

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

##### **G. Property Tax Calendar**

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

## SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2015

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

##### H. Use of Estimates

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

##### I. New GASB Pronouncements

During the 2014-15 fiscal year, the following GASB Pronouncements became effective:

**1. Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27 (Issued 06/12)***

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

##### **Cost-Sharing Employers**

In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged.

A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

## **SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**

### *Notes to Financial Statements*

*June 30, 2015*

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

##### **I. New GASB Pronouncements (continued)**

###### **2. Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68 (Issued 11/13)***

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net position liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

###### **3. Cumulative Effect of Change in Accounting Principle**

Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards was to decrease the net position at July 1, 2013 by \$30,902,291, which is the amount of net pension liability, net of the deferred outflows of resources related to pensions at July 1, 2014.

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT***Notes to Financial Statements**June 30, 2015*

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**NOTE 2 – CASH**

Cash at June 30, 2015, is reported at fair value and consisted of the following:

	Governmental Activities/ Funds	Fiduciary Funds
Pooled Funds:		
Cash in County Treasury	\$ 18,519,124	\$ -
Total Pooled Funds	18,519,124	-
Deposits:		
Cash on hand and in banks	5,200	11,216
Cash in revolving fund	2,500	-
Total Deposits	7,700	11,216
Total Cash	\$ 18,526,824	\$ 11,216

**Pooled Funds**

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

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2015, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depositary Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). 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, 2015, none of the District's bank balance was exposed to custodial credit risk because it was insured by the FDIC.

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT****Notes to Financial Statements****June 30, 2015**

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**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2015, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government:			
Categorical aid programs	\$ 683,435	\$ 267,376	\$ 950,811
State Government:			
Lottery	397,255	-	397,255
Categorical aid programs	341,441	25,731	367,172
Local:			
Other local	355,356	68,028	423,384
Miscellaneous	160	11,491	11,651
Total	<u>\$ 1,777,647</u>	<u>\$ 372,626</u>	<u>\$ 2,150,273</u>

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

Balances due to/from other funds at June 30, 2015, consisted of the following:

General Fund due to Child Development Fund for temporary loan	\$ 3,000
General Fund due to Cafeteria Fund for write-offs of negative student balances	1,825
General Fund due to Special Reserve Fund for Capital Outlay Projects for e-rate transfer	21,994
Child Development Fund due to General Fund for indirect costs	5,280
Cafeteria Fund due to General Fund for indirect costs	81,752
Total	<u>\$ 113,851</u>

**B. Transfers To/From Other Funds**

Transfers to/from other funds at June 30, 2015, consisted of the following:

Special Reserve Fund for Capital Outlay Projects transfer to General Fund for facilities use fees	\$ 20,000
General Fund transfer to the Special Reserve Fund for Capital Outlay Projects for deferred maintenance contribution	305,082
Total	<u>\$ 325,082</u>



**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT***Notes to Financial Statements**June 30, 2015*

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**NOTE 5 - FUND BALANCES**

At June 30, 2015, fund balances of the District's governmental funds were classified as follows:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Nonspendable:</b>				
Revolving cash	\$ 2,500	\$ -	\$ -	\$ 2,500
Stores inventories	-	-	5,355	5,355
Total Nonspendable	2,500	-	5,355	7,855
<b>Restricted:</b>				
Categorical programs	1,941,318	-	-	1,941,318
Food service programs	-	-	433,411	433,411
Capital projects	-	-	412,859	412,859
Debt service	-	4,787,814	-	4,787,814
Total Restricted	1,941,318	4,787,814	846,270	7,575,402
<b>Assigned:</b>				
Local site donations	335,220	-	-	335,220
Cash flow contingency	1,100,000	-	-	1,100,000
Contingency CCSS:SBAC	1,300,000	-	-	1,300,000
Deferred maintenance program	477,593	-	-	477,593
Postemployment benefits	1,136,619	-	-	1,136,619
Total Assigned	4,349,432	-	-	4,349,432
<b>Unassigned:</b>				
Reserve for economic uncertainties	2,195,969	-	-	2,195,969
Remaining unassigned balances	3,345,794	-	-	3,345,794
Total Unassigned	5,541,763	-	-	5,541,763
<b>Total</b>	<b>\$ 11,835,013</b>	<b>\$ 4,787,814</b>	<b>\$ 851,625</b>	<b>\$ 17,474,452</b>

# SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2015

### NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance, July 1, 2014	Additions	Retirements	Balance, June 30, 2015
<b>Capital assets not being depreciated:</b>				
Land	\$ 723,499	\$ -	\$ -	\$ 723,499
Construction in progress	479,466	66,381	458,620	87,227
Total capital assets not being depreciated	1,202,965	66,381	458,620	810,726
<b>Capital assets being depreciated:</b>				
Improvement of sites	17,612,521	253,021	-	17,865,542
Buildings	93,856,852	680,698	-	94,537,550
Equipment	3,247,399	274,240	-	3,521,639
Total capital assets being depreciated	114,716,772	1,207,959	-	115,924,731
<b>Accumulated depreciation for:</b>				
Improvement of sites	(11,056,232)	(851,101)	-	(11,907,333)
Buildings	(29,735,478)	(2,076,168)	-	(31,811,646)
Equipment	(2,875,989)	(151,531)	-	(3,027,520)
Total accumulated depreciation	(43,667,699)	(3,078,800)	-	(46,746,499)
Total capital assets being depreciated, net	71,049,073	(1,870,841)	-	69,178,232
<b>Governmental activity capital assets, net</b>	<b>\$ 72,252,038</b>	<b>\$ (1,804,460)</b>	<b>\$ 458,620</b>	<b>\$ 69,988,958</b>

### NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2015, were as follows:

	Balance, July 1, 2014*	Additions	Deductions	Balance, June 30, 2015	Amount Due Within One Year
<b>General Obligation Bonds:</b>					
Principal payments	\$ 53,105,819	\$ -	\$ 2,780,985	\$ 50,324,834	\$ 2,773,612
Accreted interest	16,129,885	2,170,260	744,016	17,556,129	2,176,619
Unamortized Premium, net	2,026,825	-	134,825	1,892,000	134,825
Total - Bonds	71,262,529	2,170,260	3,659,826	69,772,963	5,085,056
Certificates of Participation	3,765,000	-	115,000	3,650,000	120,000
Capital Leases	1,034	73,663	7,021	67,676	24,221
Other Postemployment Benefits	3,531,608	705,592	-	4,237,200	-
Net Pension Liability	32,684,190	-	6,108,003	26,576,187	-
Compensated Absences	276,759	-	26,502	250,257	-
<b>Totals</b>	<b>\$ 111,521,120</b>	<b>\$ 2,949,515</b>	<b>\$ 9,916,352</b>	<b>\$ 104,554,283</b>	<b>\$ 5,229,277</b>

\*Beginning balance has been restated for the net pension liability in accordance with GASB No. 68.

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

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT***Notes to Financial Statements**June 30, 2015***NOTE 7 - GENERAL LONG-TERM DEBT (continued)****A. General Obligation Bonds****Election of 1999**

An election was held on December 7, 1999, at which more than two-thirds of the voters in the District authorized the issuance and sale of \$26.0 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of, the interest on, and the principal of the bonds. Bond proceeds were used to repair roofs, remove asbestos, replace heating, ventilation and plumbing systems, make earthquake safety improvements, renovate and update classrooms, acquire school facilities, and improve school sites and facilities.

**Election of 2002**

An election was held on November 5, 2002, at which time more than fifty-five percent of the voters in the District authorized the issuance and sale of \$49.3 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of, the interest on, and the principal of the bonds. Bond proceeds were used to finance the upgrading, construction, acquisition and equipping of school libraries, facilities, classrooms, and science labs, modernization of plumbing and bathroom facilities, upgrading of technology infrastructure, installation of energy efficient heating and cooling systems, removal of hazardous conditions, and repair of leaky roofs.

**2011 Refunding General Obligation Bonds**

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

Deferred charges on refunding of \$607,603 remain to be amortized. As of June 30, 2015, the principal balance outstanding on the defeased debt has been fully repaid.

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2014	Additions	Deductions	Balance, June 30, 2015
1999A	7/18/2000	7/1/2025	4.8%-6.0%	\$ 6,496,510	\$ 676,510	\$ -	\$ -	\$ 676,510
2002B	8/4/2004	8/1/2029	3.85%-5.7%	29,996,225	19,108,743	-	1,335,985	17,772,758
2002C	8/11/2005	8/1/2030	3.25%-5.3%	9,300,566	6,990,566	-	435,000	6,555,566
2011R	7/21/2011	8/1/2028	2.0%-5.0%	27,710,000	26,330,000	-	1,010,000	25,320,000
					<u>\$ 53,105,819</u>	<u>\$ -</u>	<u>\$ 2,780,985</u>	<u>\$ 50,324,834</u>
<b>Accreted Interest:</b>								
1999A				\$ 851,654	\$ 92,137	\$ -	\$ -	\$ 943,791
2002B				11,939,844	1,585,074	744,016	-	12,780,902
2002C				3,338,387	493,049	-	-	3,831,436
					<u>\$ 16,129,885</u>	<u>\$ 2,170,260</u>	<u>\$ 744,016</u>	<u>\$ 17,556,129</u>

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT****Notes to Financial Statements****June 30, 2015**

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**NOTE 7 - GENERAL LONG-TERM DEBT (continued)****A. General Obligation Bonds (continued)**

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2015 were as follows:

Fiscal Year	Principal	Interest	Total
2015-2016	\$ 2,773,612	\$ 2,136,888	\$ 4,910,500
2016-2017	2,880,935	2,230,665	5,111,600
2017-2018	3,006,131	2,336,869	5,343,000
2018-2019	3,134,032	2,439,768	5,573,800
2019-2020	3,274,341	2,539,260	5,813,601
2020-2025	17,293,595	16,023,529	33,317,124
2025-2030	16,242,481	19,111,144	35,353,625
2030-2031	1,719,707	4,630,293	6,350,000
Total	<u>\$ 50,324,834</u>	<u>\$ 51,448,416</u>	<u>\$ 101,773,250</u>

**B. Certificates of Participation**

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

At June 30, 2015, the principal outstanding on the certificates was \$3,650,000. The annual requirements to amortize outstanding certificates at June 30, 2015, were as follows:

Fiscal Year	Principal	Interest	Total
2015-2016	\$ 120,000	\$ 161,234	\$ 281,234
2016-2017	125,000	156,734	281,734
2017-2018	130,000	151,890	281,890
2018-2019	135,000	146,690	281,690
2019-2020	140,000	141,290	281,290
2020-2025	790,000	612,410	1,402,410
2025-2030	980,000	420,787	1,400,787
2030-2035	1,230,000	175,750	1,405,750
Total	<u>\$ 3,650,000</u>	<u>\$ 1,966,785</u>	<u>\$ 5,616,785</u>

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2015*

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**NOTE 7 – GENERAL LONG-TERM DEBT (continued)**

**C. Capital Leases**

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

<u>Fiscal Year</u>	<u>Lease Payment</u>
2015-2016	\$ 25,283
2016-2017	25,283
2017-2018	<u>18,962</u>
Total	<u>69,528</u>
Less amount representing interest	<u>(1,852)</u>
Present value of minimum lease payments	<u>\$ 67,676</u>

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

**NOTE 8 – JOINT VENTURES**

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

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

Condensed audited financial information for the year ended June 30, 2015, is as follows:

	<u>MSIA</u>
Total Assets	\$ 26,777,095
Total Liabilities	<u>22,881,562</u>
Net Position	<u>\$ 3,895,533</u>
Total Revenues	\$ 12,087,470
Total Expenditures	<u>15,658,189</u>
Operating Income (Loss)	(3,570,719)
Non-Operating Income (Expense)	<u>136,733</u>
Change in Net Position	<u>\$ (3,433,986)</u>

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2015*

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**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

**State and Federal Allowances, Awards, and Grants**

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

**NOTE 10 – RISK MANAGEMENT**

**Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2015, the District participated in the MSIA public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**Workers' Compensation**

For fiscal year 2015, the District participated in the MSIA JPA workers compensation, with excess coverage provided by the Schools Excess Liability Fund (SELF) public entity risk pool.

**Employee Medical Benefits**

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

## **SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**

### *Notes to Financial Statements*

*June 30, 2015*

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#### **NOTE 11 – PENSION PLANS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of California Public Employees' Retirement System (CalPERS).

##### **A. General Information about the Pension Plans**

###### **Plan Descriptions**

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions under the Plan are established by State statute and District resolution. CalSTRS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalSTRS website.

The District also contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

###### **Benefits Provided**

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

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

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 11 - PENSION PLANS (continued)**

**A. General Information about the Pension Plans (continued)**

**Benefits Provided (continued)**

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

**Contributions**

Active CalSTRS plan members were required to contribute 8.15% of their salary in 2014-15. The required employer contribution rate for fiscal year 2014-15 was 8.88% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The required employer contribution for fiscal year 2014-15 was 11.771%. The contribution requirements of the plan members are established by State statute.

For the fiscal year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS
Employer contributions	\$ 2,776,723	\$ 593,985
Employee contributions paid by employer	\$ -	\$ -

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 23,374,800
CalPERS	3,201,387
<b>Total Net Pension Liability</b>	<b>\$ 26,576,187</b>



**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT****Notes to Financial Statements****June 30, 2015**

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

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014, was as follows:

	CalSTRS*	CalPERS
Proportion - June 30, 2013	0.040%	0.027%
Proportion - June 30, 2014	0.040%	0.028%
Change - Increase (Decrease)	0.0%	0.001%

\* The District's proportionate share percentage was not separately determined for June 30, 2013, so the June 30, 2014, percentage was used to calculate the beginning amounts.

For the year ended June 30, 2015, the District recognized pension expense of \$2,302,538. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,331,086	\$ -
Adjustment due to differences in proportions	227,390	-
Net differences between projected and actual earnings on plan investments	-	(6,856,032)
	<u>\$ 2,558,476</u>	<u>\$ (6,856,032)</u>

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT***Notes to Financial Statements**June 30, 2015***NOTE 11 – PENSION PLANS (continued)****B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

The total amount of \$2,331,086 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Amount
2016	\$ (1,426,208)
2017	(1,426,208)
2018	(1,426,208)
2019	-
2020	-
Thereafter	-

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2013, actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.50%
Inflation	3.00%	2.75%
Wage Growth	3.75%	3.00%
Post-retirement Benefit Increase	2.00%	-
Investment Rate of Return	7.60%	7.50%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information. The underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2013, valuation were based on the results of a January 2014, actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

**Discount Rate – for CalSTRS**

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

## SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2015

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#### NOTE 11 – PENSION PLANS (continued)

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

###### *Discount Rate – for CalSTRS (continued)*

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

###### *Discount Rate – for CalPERS*

The discount rate used to measure the total pension liability was 7.50% for CalPERS. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference. CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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.

# SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2015

### NOTE 11 – PENSION PLANS (continued)

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

##### *Discount Rate – for CalPERS (continued)*

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

Asset Class	Target Allocation		Long-Term Expected Rate of Return	
	CalSTRS	CalPERS	CalSTRS	CalPERS
Global Equity	47%	47%	4.5%	5.7%
Global Fixed Income	N/A	19%	N/A	2.4%
Inflation Sensitive	5%	6%	3.2%	3.4%
Private Equity	12%	12%	6.2%	7.0%
Real Estate	15%	11%	4.4%	5.1%
Infrastructure and Forestland	N/A	3%	N/A	5.1%
Fixed Income	20%	N/A	0.2%	N/A
Liquidity	1%	2%	0.0%	-1.1%
	100%	100%		

##### *Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

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

	CalSTRS	CalPERS
1% Decrease	6.60%	6.50%
Net Pension Liability	\$ 36,435,200	\$ 5,615,963
Current Discount Rate	7.60%	7.50%
Net Pension Liability	\$ 23,374,800	\$ 3,201,387
1% Increase	8.60%	8.50%
Net Pension Liability	\$ 12,484,800	\$ 1,183,765

##### *Pension Plan Fiduciary Net Position*

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

## SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2015

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#### NOTE 11 – PENSION PLANS (continued)

##### C. Payable to the Pension Plans

At June 30, 2015, the District reported no payables for outstanding contributions to the CalSTRS and CalPERS pension plans.

#### NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

San Rafael City Elementary School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

Membership in the plan consisted of the following:

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

\* As of January 1, 2014, actuarial valuation

#### Eligibility

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

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

#### District Benefits

Classified	The District will pay the minimum monthly premium amount specified by PEMHCA, and the retiree will pay the remaining premium amount. The minimum is \$83.30 per month for 2014.
Certificated	The District will pay the minimum monthly premium amount specified by PEMHCA, and the retiree will pay the remaining premium amount. The minimum is \$77.35 per month for 2014. In addition, the District will pay an additional \$230.00 per month toward the cost of medical and dental benefits for five years after retirement or until age 65, whichever comes first.

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Survivor Benefits**

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

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2014-15, the District contributed \$89,642.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 880,377
Interest on net OPEB obligation	132,435
Adjustment to annual required contribution	<u>(217,578)</u>
Annual OPEB cost	795,234
Contributions made	<u>(89,642)</u>
Increase in net OPEB obligation	705,592
Net OPEB obligation – July 1, 2014	<u>3,531,608</u>
Net OPEB obligation – June 30, 2015	<u>\$ 4,237,200</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014-15 and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2013	\$ 720,245	11.5%	\$ 2,903,180
2014	\$ 706,744	11.1%	\$ 3,531,608
2015	\$ 795,234	11.3%	\$ 4,237,200

**Funded Status and Funding Progress – OPEB Plans**

As of January 1, 2014, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$6.2 million and the unfunded actuarial accrued liability (UAAL) was \$6.2 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT****Notes to Financial Statements****June 30, 2015**

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**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)****Actuarial Methods and Assumptions**

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

Additional information as of the latest actuarial valuation follows:

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

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***Required Supplementary Information***

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**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
**Budgetary Comparison Schedule – General Fund**  
**For the Fiscal Year Ended June 30, 2015**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
LCFF Sources	\$ 31,653,666	\$ 32,272,685	\$ 32,304,523	\$ 31,838
Federal Sources	2,473,672	2,721,163	2,182,844	(538,319)
Other State Sources	2,197,963	2,726,725	2,796,252	69,527
Other Local Sources	6,586,660	7,202,641	7,313,861	111,220
<b>Total Revenues</b>	<b>42,911,961</b>	<b>44,923,214</b>	<b>44,597,480</b>	<b>(325,734)</b>
<b>Expenditures</b>				
Current:				
Certificated Salaries	19,631,715	20,499,776	20,134,841	364,935
Classified Salaries	4,989,920	5,127,332	4,837,041	290,291
Employee Benefits	7,658,920	7,512,802	6,977,820	534,982
Books and Supplies	1,963,532	3,636,889	1,969,808	1,667,081
Services and Other Operating Expenditures	8,572,898	9,264,036	8,359,742	904,294
Capital Outlay	60,000	354,202	273,470	80,732
Intergovernmental Transfers	484,285	386,098	319,064	67,034
Debt Service	1,201	7,521	7,521	-
<b>Total Expenditures</b>	<b>43,362,471</b>	<b>46,788,656</b>	<b>42,879,307</b>	<b>3,909,349</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(450,510)</b>	<b>(1,865,442)</b>	<b>1,718,173</b>	<b>3,583,615</b>
<b>Other Financing Sources (Uses)</b>				
Interfund Transfers In	20,000	20,000	20,000	-
Interfund Transfers Out	(460,082)	(640,082)	(1,040,082)	(400,000)
Proceeds from Capital Leases	-	73,663	73,663	-
<b>Total Other Financing Sources and Uses</b>	<b>(440,082)</b>	<b>(546,419)</b>	<b>(946,419)</b>	<b>(400,000)</b>
<b>Net Change In Fund Balance</b>	<b>(890,592)</b>	<b>(2,411,861)</b>	<b>771,754</b>	<b>3,183,615</b>
<b>Fund Balance, July 1, 2014</b>	<b>9,449,047</b>	<b>9,449,047</b>	<b>9,449,047</b>	<b>-</b>
<b>Fund Balance, June 30, 2015</b>	<b>\$ 8,558,455</b>	<b>\$ 7,037,186</b>	<b>\$ 10,220,801</b>	<b>\$ 3,183,615</b>

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

On-behalf payments of \$1,035,368 have been included in the Statement of Revenues, Expenditures, and Changes in Fund Balance but are not included in the actual amounts above.

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT*****Schedule of Funding Progress******For the Fiscal Year Ended June 30, 2015***

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<b>Actuarial Valuation Date</b>	<b>Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
January 1, 2010	\$ -	\$ 4,649,073	\$ 4,649,073	0.0%	N/A	N/A
January 1, 2012	\$ -	\$ 5,462,058	\$ 5,462,058	0.0%	N/A	N/A
January 1, 2014	\$ -	\$ 6,168,215	\$ 6,168,215	0.0%	N/A	N/A

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability*  
*For the Fiscal Year Ended June 30, 2015*

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**Last Ten Fiscal Years\***

	<u>2014</u>
District's proportion of the net pension liability (asset):	
CalSTRS	0.040%
CalPERS	0.028%
District's proportionate share of the net pension liability (asset):	
CalSTRS	\$ 23,374,800
CalPERS	\$ 3,201,387
District's covered-employee payroll:	
CalSTRS	\$ 18,306,909
CalPERS	\$ 4,311,248
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll:	
CalSTRS	127.7%
CalPERS	74.3%
Plan fiduciary net position as a percentage of the total pension liability:	
CalSTRS	76.5%
CalPERS	83.4%

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

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT*****Schedule of Contributions******For the Fiscal Year Ended June 30, 2015***

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**Last Ten Fiscal Years\***

	<u>2014</u>
Actuarially determined contribution:	
CalSTRS	\$ 1,510,320
CalPERS	\$ 493,293
Contributions in relation to the actuarially determined contribution:	
CalSTRS	\$ 1,510,320
CalPERS	<u>\$ 493,293</u>
Contribution deficiency (excess):	
CalSTRS	<u>\$ -</u>
CalPERS	<u>\$ -</u>
District's covered-employee payroll:	
CalSTRS	\$ 18,306,909
CalPERS	\$ 4,311,248
Contributions as a percentage of covered-employee payroll:	
CalSTRS	8.25%
CalPERS	11.442%

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

## **SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**

### *Notes to the Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2015*

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#### **NOTE 1 - PURPOSE OF SCHEDULES**

##### **Budgetary Comparison Schedule**

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

##### **Schedule of Funding Progress**

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

##### **Schedule of Proportionate Share of the Net Pension Liability**

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

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

##### **Schedule of Contributions**

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

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

#### **NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

At June 30, 2015, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

General Fund:		
Interfund Transfers Out	\$	400,000

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## ***Supplementary Information***

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## **SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**

### *Local Educational Agency Organization Structure*

*June 30, 2015*

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The San Rafael City Elementary School District was established in 1861. The District boundaries encompass the city of San Rafael, as well as small portions of the city of Larkspur and the town of Ross and some unincorporated areas of central Marin County. There were no changes in the boundaries of the District during the current year. The District is currently operating one middle school, seven elementary schools (K-5) and one K-8 school. Graduating eighth grade students attend high school in the San Rafael City High School District.

<b>GOVERNING BOARD</b>		
<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Natu Tuatagaloa	President	November, 2017
Rachel Kertz	Vice President	November, 2017
Greg Knell	Member	November, 2015
Paul M. Cohen	Member	November, 2015
Linda Jackson	Member	November, 2015

#### **DISTRICT ADMINISTRATORS**

Michael R. Watenpaugh, Ed.D.,  
*Superintendent*

Dr. Harriet MacLean,  
*Assistant Superintendent, Education Services*

Rebecca Rosales,  
*Deputy Superintendent, Human Resources*

Christine Thomas,  
*Chief Business Official*

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT*****Schedule of Average Daily Attendance******For the Fiscal Year Ended June 30, 2015***

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	<b>Second Period Report</b>	<b>Annual Report</b>
	<b>Certificate No. (ECC0D5EF)</b>	<b>Certificate No. (DFA98DC8)</b>
<b>Regular &amp; Extended Year ADA:</b>		
Transitional Kindergarten through Third	2,201.39	2,203.14
Fourth through Sixth	1,451.59	1,451.06
Seventh through Eighth	806.64	807.30
<b>Total Regular ADA</b>	<b>4,459.62</b>	<b>4,461.50</b>
<b>Special Education, Nonpublic, Nonsectarian Schools:</b>		
Transitional Kindergarten through Third	6.32	6.83
Fourth through Sixth	8.21	8.26
Seventh through Eighth	7.17	7.55
<b>Total Special Education, Nonpublic, Nonsectarian Schools</b>	<b>21.70</b>	<b>22.64</b>
<b>Total ADA</b>	<b>4,481.32</b>	<b>4,484.14</b>



**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT***Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2015*

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Grade Level	1986-87 Minutes		2014-15 Actual Minutes	Number of Days Traditional Calendar	Status
	Previously Required	Reduced*			
Kindergarten	36,000	35,000	44,150	179**	Complied
Grade 1	50,400	49,000	51,370	179**	Complied
Grade 2	50,400	49,000	51,370	179**	Complied
Grade 3	50,400	49,000	51,370	179**	Complied
Grade 4	54,000	52,500	54,845	179**	Complied
Grade 5	54,000	52,500	54,845	179**	Complied
Grade 6	54,000	52,500	59,940	179**	Complied
Grade 7	54,000	52,500	60,100	179**	Complied
Grade 8	54,000	52,500	60,100	179**	Complied

\* Amounts reduced as permitted by Education Code Section 46201.2 (a).

\*\* District-wide closure due to storm.

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Financial Trends and Analysis*  
*For the Fiscal Year Ended June 30, 2015*

General Fund	(Budget) <sup>2</sup> 2016	2015 <sup>3</sup>	2014	2013
Revenues and other financing sources	\$ 51,621,813	\$ 44,691,143	\$ 40,753,003	\$ 38,235,206
Expenditures	48,329,664	42,879,307	39,846,076	37,081,255
Other uses and transfers out	910,082	1,040,082	701,082	299,774
Total Outgo	49,239,746	43,919,389	40,547,158	37,381,029
Change in fund balance (deficit)	2,382,067	771,754	205,845	854,177
Ending fund balance	\$ 12,602,868	\$ 10,220,801	\$ 9,449,047	\$ 9,243,202
Available Reserves <sup>1</sup>	\$ 8,214,962	\$ 5,541,763	\$ 4,326,968	\$ 4,213,407
Available Reserves as a percentage of Total Outgo	16.7%	12.6%	10.7%	11.3%
Total Long-Term Debt <sup>4</sup>	\$ 100,178,706	\$ 104,554,283	\$ 111,521,120	\$ 79,490,326
Average Daily Attendance at P-2	4,574	4,481	4,396	4,171

The General Fund balance has increased by \$977,599 over the past two years. The fiscal year 2015-16 adopted budget projects an increase of \$2,382,067. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred an operating deficit in any of the past three years and anticipates incurring an operating surplus during the 2015-16 fiscal year. Total long-term debt has increased by \$25,063,957 over the past two years.

Average daily attendance (ADA) has increased by 310 over the past two years. An additional increase of 93 ADA is anticipated during fiscal year 2015-16.

<sup>1</sup> Available reserves consist of all unassigned fund balances in the General Fund.

<sup>2</sup> As of September 2015.

<sup>3</sup> The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund and Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

On behalf payments of \$1,035,368 have been included in the Statement of Revenues, Expenditures, and Changes in Fund Balance, but are not included in the actual amounts above.

<sup>4</sup> As restated.

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
June 30, 2015*

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

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2015*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
<b>Federal Programs:</b>				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	\$ 211,858	
National School Lunch Program	10.555	13523	1,386,291	
USDA Donated Foods	10.555	N/A	129,889	
Total Child Nutrition Cluster				\$ 1,728,038
Total U.S. Department of Agriculture				1,728,038
<b>U.S. Department of Education:</b>				
Passed through California Dept. of Education (CDE):				
No Child Left Behind (NCLB):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		456,909
Title II, Part A, Teacher Quality Local	84.367	14341		107,541
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512		389,381
English Language Acquisition Grants Cluster:				
Title III, Immigrant Education Program	84.365	15146	13,899	
Title III, Limited English Proficiency	84.365	14346	143,900	
Total English Language Acquisition Grants Cluster				157,799
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	918,671	
Mental Health Allocation Plan, Part B, Section 611	84.027	14468	38,853	
Preschool Local Entitlement, Part B	84.027A	13682	91,918	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	21,772	
Total Special Education Cluster				1,071,214
Total U.S. Department of Education				2,182,844
<b>U.S. Department of Health &amp; Human Services:</b>				
Passed through California Dept. of Education (CDE):				
Medi-Cal Billing Option	93.778	10013		885
Total U.S. Department of Health & Human Services				885
<b>Total Expenditures of Federal Awards</b>				<b>\$ 3,911,767</b>

## **SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**

*Note to the Supplementary Information*

*June 30, 2015*

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Schedule of Average Daily Attendance (ADA)**

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

#### **Schedule of Instructional Time**

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

Districts must maintain their instructional minutes at the 1986-87 requirement, as reduced by Education Code Section 46201.2(a).

#### **Schedule of Financial Trends and Analysis**

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

#### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

#### **Schedule of Expenditures of Federal Awards**

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States of America Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

#### **Subrecipients**

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

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***Other Independent Auditors' Reports***

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Rafael City Elementary School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise San Rafael City Elementary School District's basic financial statements, and have issued our report thereon dated December 14, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered San Rafael City Elementary School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the San Rafael City Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the San Rafael City Elementary School District's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether San Rafael City Elementary School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2015-1.

**San Rafael City Elementary School District's Response to Finding**

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

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Nigro + Nigro, PC". The signature is written in a cursive, stylized font.

Murrieta, California  
December 14, 2015





## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

### Report on State Compliance

We have audited San Rafael City Elementary School District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the San Rafael City Elementary School District's state government programs as noted on the following page for the fiscal year ended June 30, 2015.

### Management's Responsibility

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

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of San Rafael City Elementary School District's State programs based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below occurred. An audit includes examining, on a test basis, evidence about San Rafael City Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each State program. However, our audit does not provide a legal determination of San Rafael City Elementary School District's compliance.

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupation Centers or Programs Maintenance of Effort	Not Applicable
Adult Education Maintenance of Effort	Not Applicable
California Clean Energy Jobs Act	No (see below)
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for California Clean Energy Jobs Act because the District did not have any expenditures during the year.

#### ***Unmodified Opinion on Compliance with State Programs***

In our opinion, San Rafael City Elementary School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2015.

#### ***Other Matter***

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above, which is required to be reported in accordance with *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2015-1.

#### ***District's Response to Finding***

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

*Nigro + Nigro, PC*

Murrieta, California  
December 14, 2015



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited San Rafael City Elementary School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of San Rafael City Elementary School District's major federal programs for the year ended June 30, 2015. San Rafael City Elementary School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of San Rafael City Elementary School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Rafael City Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of San Rafael City Elementary School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, San Rafael City Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of San Rafael City Elementary School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered San Rafael City Elementary School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Nigro+Nigro, PC*

Murrieta, California  
December 14, 2015

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## ***Findings and Questioned Costs***

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**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2015*

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

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

***Federal Awards***

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	
CFDA Numbers	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	<u>Child Nutrition Cluster</u>
84.366	<u>Title II, Part B, CA Mathematics &amp; Science Partnerships</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

***State Awards***

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT*****Schedule of Audit Findings and Questioned Costs******For the Fiscal Year Ended June 30, 2015***

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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

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

***There were no financial statement findings in 2014-15.***

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2015*

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

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



**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2015*

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

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

**Finding 2015-1: CALPADS Unduplicated Pupil Counts (40000)**

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

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

**Condition:** During our testing of the free or reduced-price meal eligible students (FRPM) reported in the CALPADS 1.17 and 1.18 reports, we noted one student who was incorrectly reported twice: once with free eligibility and once as reduced-price eligibility within the CALPADS reports.

**Context:** We noted one error in our sample size of sixty students from three schools who were classified as free or reduced-price meal eligible students.

**Cause:** During the District's annual 3% verification, the student in question was denied 'free' eligibility and was properly reclassified as reduced-price eligibility. The student was erroneously recorded twice with CALPADS due to a different enrollment date being added when eligibility was changed. The CALPADS reports were not updated in a timely manner to correct student changes in the 2014-15 year.

**Questioned Costs:** The financial impact of \$500 was determined by calculating the difference between the District's original total LCFF revenues and the LCFF revenues adjusted for the decrease in the unduplicated pupil counts.

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

School Site:	CALPADS Reported	Adjusted based on eligibility for:	
		FRPM	Adjusted Total
Bahia Vista Elementary	572	(1)	571
Aggregate remaining school sites	2,541	-	2,541
District-wide	3,113	(1)	3,112

The enrollment count of 4,635 has been adjusted to 4,634 as a result of the procedures performed.

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2015*

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2015-1: CALPADS Unduplicated Pupil Counts (40000) (continued)**

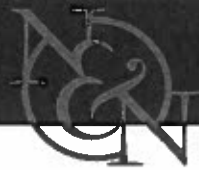
**Recommendation:** We recommend that the District implement a review procedure of the CALPADS information prior to the reports submission to the California Department of Education.

**District Response:** This exception was due to an error in a new Student Information System (SIS) that was implemented in 2014-15 and did not accurately report information related to a change in status for one student although the status had been accurately reported in the Nutri-Kids (Food Service) system. The District has since abandoned that SIS and migrated back to Aeries.Net effective July 1, 2015, which is a Student Information System that has a track record of more accurately reporting this type of data. District staff have also worked to implement a system of checks and balances to ensure data is reported correctly.

**SAN RAFAEL CITY ELEMENTARY SCHOOL DISTRICT**  
*Summary Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2015*

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*There were no findings or questioned costs in 2013-14.*



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

In planning and performing our audit of the basic financial statements of San Rafael City Elementary School District for the year ending June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 14, 2015, on the financial statements of San Rafael City Elementary School District.

## EXPENDITURES

**Observation:** During our testing of fifty-eight expenditures, we identified eight that were processed without the creation of a purchase order.

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

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

*Nigro & Nigro, PC*

Murrieta, California  
December 14, 2015