

**RINCON VALLEY UNION SCHOOL DISTRICT
COUNTY OF SONOMA
SANTA ROSA, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2016

RINCON VALLEY UNION SCHOOL DISTRICT

JUNE 30, 2016

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JUNE 30, 2016

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RINCON VALLEY UNION SCHOOL DISTRICT

JUNE 30, 2016

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rincon Valley Union School District
Santa Rosa, 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 the Rincon Valley Union School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 Rincon Valley Union School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, the budgetary comparison information on page 55, schedule of funding progress on page 56, schedules of the proportionate share of the net pension liabilities on pages 57 and 58, and schedules of contributions on pages 59 and 60 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 Rincon Valley Union School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information listed in the table of contents and the schedule of expenditures of federal awards 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 supplementary information listed in the table of contents and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016 on our consideration of Rincon Valley Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rincon Valley Union School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2016

**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

This section of the Rincon Valley Union School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 14 and 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 19, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

FINANCIAL HIGHLIGHTS

- The District's overall financial status improved during the course of the year.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$5,891,279.
- Capital assets, net of depreciation, increased \$3,973,673, due to the current year addition of \$5,599,748 of new capital assets and improvements, and the current year recognition of \$1,626,075 of depreciation expense.
- Total long-term liabilities increased \$3,700,019 due primarily to the net effect of a \$2,033,562 decrease in general obligation bonds and a \$5,806,211 increase in net pension liabilities.
- The District's average daily attendance (ADA) increased from 3,091 ADA in fiscal year 2014-15, up to 3,152 ADA in fiscal year 2015-16, an increase of 61 ADA or 2%. (General Fund ADA Only)
- The General Fund produced an operating surplus of \$2,053,080 during fiscal year 2015-16.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of total General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2015-16, total General Fund expenditures and other financing uses totaled \$40,074,171. At June 30, 2016, the District had available reserves of \$6,962,601 in the General Fund which represents a reserve of 17.4%.

THE FINANCIAL REPORT

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and Management's Discussion and Analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONTINUED)

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
 - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

Reporting the District as a Whole

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health (net position) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

Governmental Activities:

The basic services provided by the District, such as regular and special education, administration, and transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition and child development are also included here, but are financed by a combination of state and federal revenues and local revenues.

Reporting the District's Most Significant Funds

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

Governmental Funds:

The major governmental funds of the Rincon Valley Union School District are the General Fund, Building Fund, and Capital Projects - Special Reserve Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year.

**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District's Most Significant Funds (Concluded)

Governmental Funds (Concluded):

A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The District's net position increased \$5,891,279 in fiscal year 2015-16. The unrestricted deficit balance is due to the requirement for the District to record a liability in the financial statements to reflect the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

<u>Comparative Statement of Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2016</u>
<u>Assets</u>		
Deposits and Investments	\$ 35,238,552	\$ 34,861,349
Receivables	2,487,757	2,692,834
Stores Inventories	9,580	6,586
Capital Assets, net	36,183,983	40,157,656
Total Assets	<u>73,919,872</u>	<u>77,718,425</u>
<u>Deferred Outflows of Resources</u>		
Pension Deferrals	2,950,184	4,335,229
Deferred Amount on Refunding	1,187,857	1,102,502
Total Deferred Outflows of Resources	<u>4,138,041</u>	<u>5,437,731</u>
<u>Liabilities</u>		
Current	8,096,972	7,276,287
Long-term	70,459,502	74,516,064
Total Liabilities	<u>78,556,474</u>	<u>81,792,351</u>
<u>Deferred Inflows of Resources</u>		
Pension Deferrals	6,948,168	2,919,255
<u>Net Position</u>		
Net Investment in Capital Assets	9,386,792	12,626,218
Restricted (Deficit)	(324,349)	11,969
Unrestricted (Deficit)	(16,509,172)	(14,193,637)
Total Net Position (Deficit)	<u>\$ (7,446,729)</u>	<u>\$ (1,555,450)</u>

Table includes financial data of the combined governmental funds.

**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

The District's total current year revenues exceeded total current year expenses by \$5,891,279.

<u>Comparative Statement of Changes in Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2016</u>
<u>Program Revenues</u>		
Charges for Services	\$ 5,114,572	\$ 4,180,088
Operating Grants & Contributions	4,405,885	5,930,285
<u>General Revenues</u>		
Taxes Levied	18,680,117	20,524,955
Federal & State Aid	13,495,397	16,562,869
Interest & Investment Earnings	157,479	239,266
Transfers from Other Agencies	488,532	766,463
Miscellaneous	2,041,803	2,241,779
Total Revenues	44,383,785	50,445,705
<u>Expenses</u>		
Instruction	23,891,542	26,096,026
Instruction-Related Services	4,268,840	5,130,645
Pupil Services	4,869,675	5,326,293
General Administration	1,652,884	1,788,483
Plant Services	3,335,522	3,584,231
Community Services	836,349	893,510
Interest on Long-Term Debt	1,484,232	1,605,634
Other Expenses	393,484	129,604
Total Expenses	40,732,528	44,554,426
Changes in Net Position	3,651,257	5,891,279
Net Position (Deficit), Beginning	(11,097,986)	(7,446,729)
Net Position (Deficit), Ending	\$ (7,446,729)	\$ (1,555,450)

Table includes financial data of the combined governmental funds.

**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

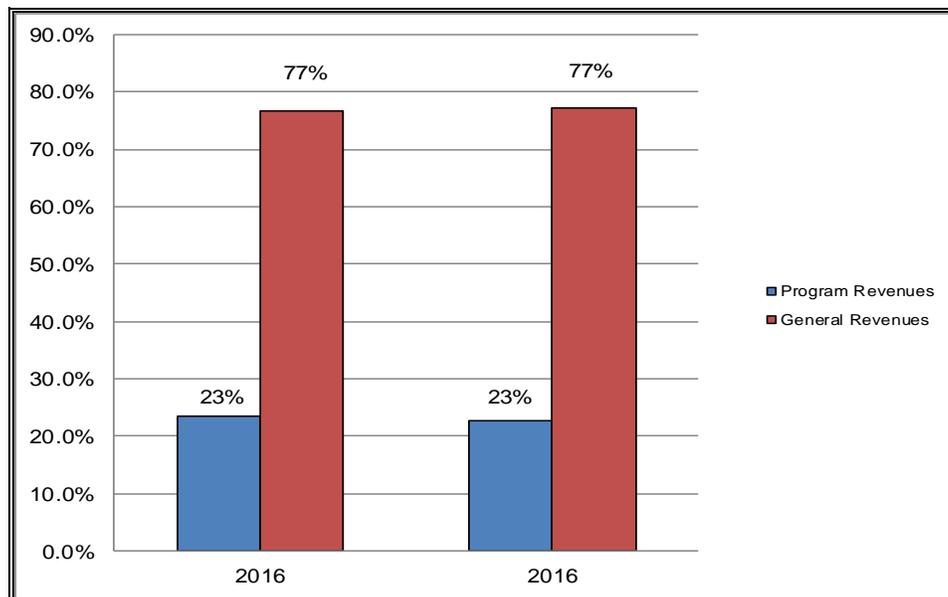
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

The table below presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$34,444,053 cost shows the financial burden that was placed on the District's general revenues for providing the services listed below.

	Total Cost of Services		Net Cost of Services	
	2015	2016	2015	2016
	Instruction	\$ 23,891,542	\$ 26,096,026	\$ 18,891,148
Instruction-Related Services	4,268,840	5,130,645	3,602,058	4,406,382
Pupil Services	4,869,675	5,326,293	1,762,699	2,227,459
General Administration	1,652,884	1,788,483	1,175,229	1,382,796
Plant Services	3,335,522	3,584,231	3,145,468	3,550,144
Other Expenses	2,714,065	2,628,748	2,635,469	2,541,385
Totals	\$ 40,732,528	\$ 44,554,426	\$ 31,212,071	\$ 34,444,053

Table includes financial data of the combined governmental funds

For fiscal year 2015-16, program revenues financed 23% of the total cost of providing the services listed above, while the remaining 77% was financed by the general revenues of the District.



**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

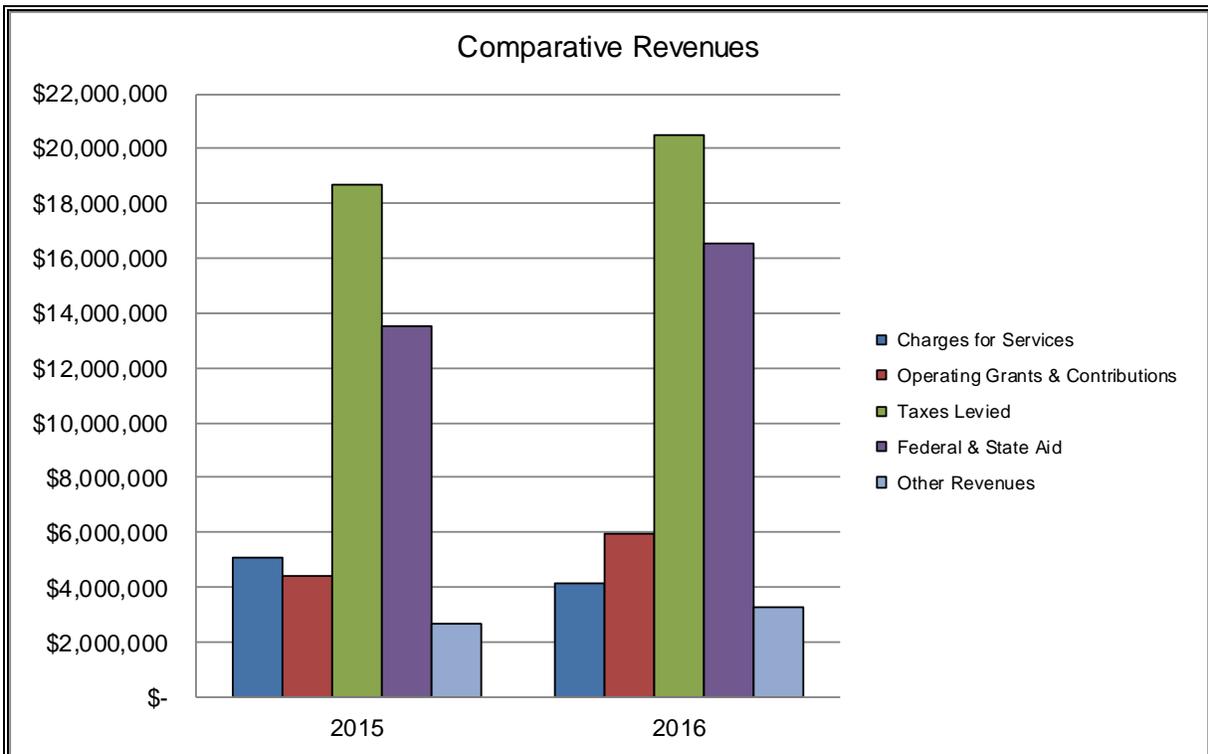
(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Summary of Revenues For Governmental Functions

	<u>FYE 2015 Amount</u>	<u>Percent of Total</u>	<u>FYE 2016 Amount</u>	<u>Percent of Total</u>
<u>Program Revenues</u>				
Charges for Services	\$ 5,114,572	11.52%	\$ 4,180,088	8.29%
Operating Grants & Contributions	4,405,885	9.93%	5,930,285	11.76%
<u>General Revenues</u>				
Taxes Levied	18,680,117	42.09%	20,524,955	40.69%
Federal & State Aid	13,495,397	30.41%	16,562,869	32.83%
Other Revenues	2,687,814	6.06%	3,247,508	6.44%
Total Revenues	<u>\$ 44,383,785</u>	<u>100.00%</u>	<u>\$ 50,445,705</u>	<u>100.00%</u>

Table includes financial data of the combined governmental funds



**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

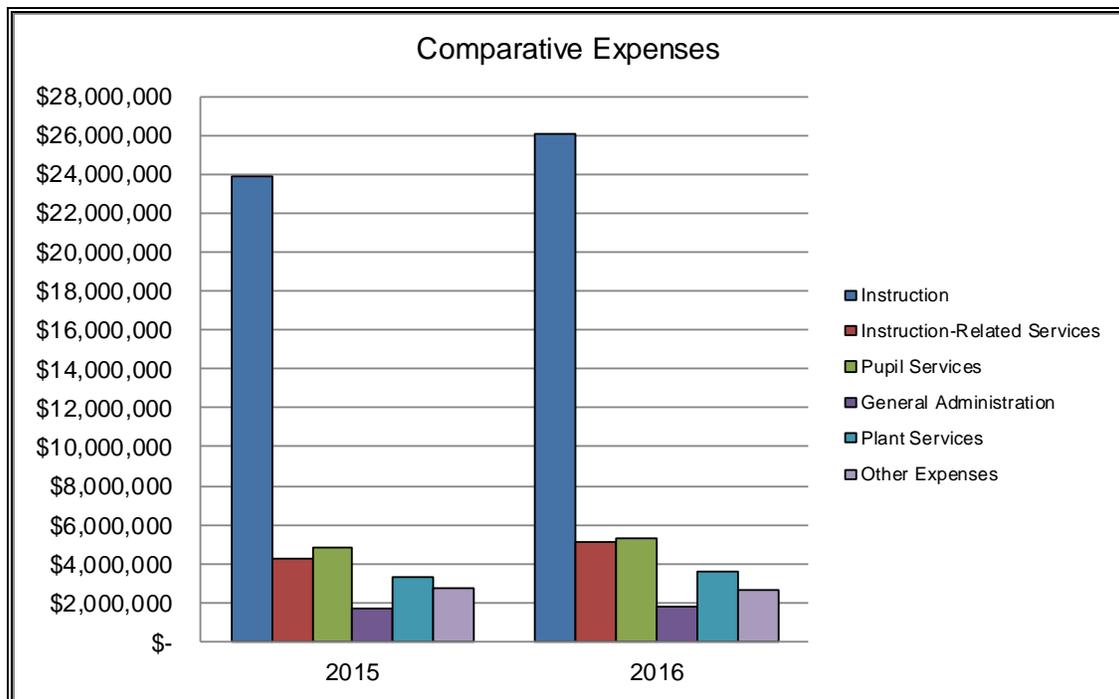
(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Summary of Expenses For Governmental Functions

<u>Expenses</u>	<u>FYE 2015 Amount</u>	<u>Percent of Total</u>	<u>FYE 2016 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 23,891,542	58.65%	\$ 26,096,026	58.57%
Instruction-Related Services	4,268,840	10.48%	5,130,645	11.52%
Pupil Services	4,869,675	11.96%	5,326,293	11.95%
General Administration	1,652,884	4.06%	1,788,483	4.01%
Plant Services	3,335,522	8.19%	3,584,231	8.04%
Other Expenses	2,714,065	6.66%	2,628,748	5.90%
Total Expenses	\$ 40,732,528	100.00%	\$ 44,554,426	100.00%

Table includes financial data of the combined governmental funds.



**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONCLUDED)

<u>Comparative Schedule of Capital Assets</u>		
	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2016</u>
Land	\$ 1,122,383	\$ 1,122,383
Sites and Improvements	2,236,115	2,270,413
Buildings and Improvements	46,016,809	46,545,552
Furniture and Equipment	2,214,556	2,414,240
Work-in-Progress	3,259,312	7,751,192
Subtotals	54,849,175	60,103,780
Less: Accumulated Depreciation	(18,665,192)	(19,946,124)
Capital Assets, net	<u>\$ 36,183,983</u>	<u>\$ 40,157,656</u>

Capital assets, net of depreciation, increased \$3,973,673, due to the current year addition of \$5,599,748 of new capital assets and improvements, and the current year recognition of \$1,626,075 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2016</u>
Compensated Absences	\$ 143,016	\$ 148,261
General Obligation Bonds	43,605,652	41,598,314
Bond Premium	631,569	605,345
Capital Lease	2,944,072	2,764,416
Other Post Employment Benefits	200,551	302,332
Net Pension Liability - CalSTRS	19,541,489	23,294,680
Net Pension Liability - CalPERS	6,217,049	8,270,069
Totals	<u>\$ 73,283,398</u>	<u>\$ 76,983,417</u>

The general obligation bonds are financed by the local taxpayers and represent 54% of the long-term liabilities. The capital lease is financed by developer fees, and represents 3.6% of the District's long-term liabilities. Net pension liabilities represent 41% of the long-term liabilities and are obligations of the General Fund, Cafeteria Fund, and Child Development Fund. The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

The fund balance of the General Fund increased \$2,053,080 during fiscal year 2015-16, while the combined fund balances of the other District governmental funds decreased \$1,784,439, due primarily to construction and facilities acquisition expenditures in the Building Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Most school districts in California are dependent on the state to provide a large portion of their revenue. Rincon Valley Union School District is no exception, and a downturn in the state's economy could result in a reduction of state revenues that the District is depending on for ongoing operations. Due to the cyclical nature of the economy, a recession in the next few years is a strong possibility.

The District receives nearly \$3.0 million from basic aide supplemental funding, which is a state source. This funding source is calculated based on the average daily attendance for the out of District transfer students as well as the amount of property taxes the District reports on its Local Control Funding Formula (LCFF). A decrease in the amount of transfer students or a change in the pertinent section of the California Education Code will have a negative impact on this funding source. The District wisely utilizes these funds for one-time expenses such as facility renovation or construction and it is highly recommended that the District not rely on these funds for ongoing expenditures.

On November 4, 2014, the voters of the State of California elected to approve Proposition 2 (State Budget: Budget Stabilization Account. Legislative Constitutional Amendment). The measure will alter the existing requirements for the Budget Stabilization Account (BSA) that was originally established with Proposition 58, passed in 2004. Proposition 2 is set to create a distinct budget stabilization fund known as the "Proposition 98 Reserve" or Public School System Stabilization Account (PSSSA). Proposition 2 also includes a provision that will limit the amount that many school districts may hold in reserves in future years. At this time, the fiscal impact of Proposition 2 is not immediately clear, since the ultimate impact will largely depend on how it is implemented at the state and local levels moving forward.

Fiscal year 2016-17 is the fourth year of the projected eight-year phase-in period for the new LCFF. LCFF distributes state revenue based on the students enrolled in the free and reduced lunch program and the number of English learners. Since the District has a below average number of students in these categories, the District will receive smaller increases as compared to Districts with a high Free Lunch/English learner population. As a result, the District's budgets should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

**RINCON VALLEY UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Deputy Superintendent, Business, Rincon Valley Union School District, 1000 Yulupa Avenue, Santa Rosa, California, 95405.

RINCON VALLEY UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 34,861,349
Receivables (Note 3)	2,692,834
Stores Inventory (Note 1H)	6,586
Capital Assets (Note 5)	
Land	1,122,383
Sites and Improvements	2,270,413
Buildings and Improvements	46,545,552
Furniture and Equipment	2,414,240
Work-in-Progress	7,751,192
Less: Accumulated Depreciation	(19,946,124)
Total Assets	77,718,425
<u>Deferred Outflows of Resources</u>	
Pension Deferrals (Note 10)	4,335,229
Bond Refunding (Note 1H)	1,102,502
Total Deferred Outflows of Resources	5,437,731
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	4,374,720
Accrued Interest Payable	422,148
Unearned Revenue (Note 1H)	12,066
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 1H)	148,261
General Obligation Bonds (Note 6)	
Current Interest	2,035,000
Capital Appreciation	75,000
Bond Premium (Note 1H)	26,224
Capital Lease (Note 7)	182,868
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 6)	
Current Interest	30,470,000
Capital Appreciation	9,018,314
Bond Premium (Note 1H)	579,121
Capital Lease (Note 7)	2,581,548
Other Post Employment Benefits (Note 9)	302,332
Net Pension Liabilities (Note 10)	31,564,749
Total Liabilities	81,792,351
<u>Deferred Inflows of Resources</u>	
Pension Deferrals (Note 10)	2,919,255
<u>Net Position</u>	
Net Investment in Capital Assets	12,626,218
Restricted:	
For Capital Projects	448
For Debt Service (Deficit)	(1,915,876)
For Educational Programs	1,701,661
For Other Purposes	225,736
Unrestricted (Deficit)	(14,193,637)
Total Net Position (Deficit)	\$ (1,555,450)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**RINCON VALLEY UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities</u>				
Instruction	\$ 26,096,026	\$ 1,665,892	\$ 4,094,247	\$ (20,335,887)
Instruction-Related Services:				
Supervision of Instruction	637,289	204,418	148,881	(283,990)
Instructional Library and Technology	1,313,925		3,953	(1,309,972)
School Site Administration	3,179,431	209,467	157,544	(2,812,420)
Pupil Services:				
Home-to-School Transportation	581,705			(581,705)
Food Services	1,239,738	412,153	810,803	(16,782)
Other Pupil Services	3,504,850	1,299,932	575,946	(1,628,972)
General Administration:				
Data Processing Services	10,280			(10,280)
Other General Administration	1,778,203	282,726	122,961	(1,372,516)
Plant Services	3,584,231	32,398	1,689	(3,550,144)
Ancillary Services	120,886	73,102	14,261	(33,523)
Community Services	893,510			(893,510)
Interest on Long-Term Debt	1,605,634			(1,605,634)
Other Outgo	8,718			(8,718)
Total Governmental Activities	\$ 44,554,426	\$ 4,180,088	\$ 5,930,285	\$ 0
<u>General Revenues</u>				
Taxes Levied for General Purposes				16,326,432
Taxes Levied for Debt Service				3,110,578
Taxes Levied for Specific Purposes				1,087,945
Federal and State Aid - Unrestricted				16,562,869
Interest and Investment Earnings				239,266
Transfers from Other Agencies				766,463
Miscellaneous				2,241,779
Total General Revenues				40,335,332
Change in Net Position				5,891,279
Net Position (Deficit) - July 1, 2015				(7,446,729)
Net Position (Deficit) - June 30, 2016				\$ (1,555,450)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**RINCON VALLEY UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General</u>	<u>Building</u>	<u>Capital Projects - Special Reserve</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Deposits and Investments (Note 2)	\$ 16,863,551	\$ 12,357,430	\$ 2,059,571	\$ 3,580,797	\$ 34,861,349
Receivables (Note 3)	2,415,334			277,500	2,692,834
Due from Other Funds (Note 4)	420,821		3,517,362	100,070	4,038,253
Stores Inventory (Note 1H)	2,227			4,359	6,586
Total Assets	<u>\$ 19,701,933</u>	<u>\$ 12,357,430</u>	<u>\$ 5,576,933</u>	<u>\$ 3,962,726</u>	<u>\$ 41,599,022</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 4,181,059	\$ 37,015	\$ 57,848	\$ 98,798	\$ 4,374,720
Due to Other Funds (Note 4)	3,387,595			650,658	4,038,253
Unearned Revenue (Note 1H)	12,066				12,066
Total Liabilities	<u>7,580,720</u>	<u>37,015</u>	<u>57,848</u>	<u>749,456</u>	<u>8,425,039</u>
Fund Balances: (Note 12)					
Nonspendable	9,477			6,359	15,836
Restricted	1,529,013	12,320,415		2,902,988	16,752,416
Assigned	3,620,122		5,519,085	303,923	9,443,130
Unassigned	6,962,601				6,962,601
Total Fund Balances	<u>12,121,213</u>	<u>12,320,415</u>	<u>5,519,085</u>	<u>3,213,270</u>	<u>33,173,983</u>
Total Liabilities and Fund Balances	<u>\$ 19,701,933</u>	<u>\$ 12,357,430</u>	<u>\$ 5,576,933</u>	<u>\$ 3,962,726</u>	<u>\$ 41,599,022</u>

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

Total Fund Balances - Governmental Funds \$ 33,173,983

Amounts reported for governmental activities in the statement of net position are different from amounts reported in governmental funds due to the following:

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

Capital Assets	\$ 60,103,780	
Accumulated Depreciation	(19,946,124)	
Net		40,157,656

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. 1,415,974

Unamortized costs: In governmental funds, any gain or loss that results from debt refunding activities is recognized in the current year. In the government-wide statements, the gain or loss is deferred and amortized as interest over the life of the new or refunded debt, whichever period is shorter. The deferred amount from refunding, reported as deferred outflows of resources, was: 1,102,502

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities reported at the end of the period are:

Compensated Absences	148,261	
General Obligation Bonds - Current Interest	32,505,000	
General Obligation Bonds - Capital Appreciation	9,093,314	
Bond Premium	605,345	
Capital Lease	2,764,416	
Other Post Employment Benefits	302,332	
Net Pension Liability - CalSTRS	23,294,680	
Net Pension Liability - CalPERS	8,270,069	
Total		(76,983,417)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statements of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owed at the end of the period was: (422,148)

Total Net Position (Deficit) - Governmental Activities \$ (1,555,450)

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

	<u>General</u>	<u>Building</u>	<u>Capital Projects - Special Reserve</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
LCFF Sources:					
State Apportionment / Transfers	\$ 13,267,838			\$ 2,066,004	\$ 15,333,842
Local Taxes	15,023,118				15,023,118
Total LCFF Sources	28,290,956			2,066,004	30,356,960
Federal Revenue	1,447,720			754,190	2,201,910
State Revenue	4,363,862			514,382	4,878,244
Local Revenue	7,951,013	\$ 101,279	\$ 175,682	4,780,617	13,008,591
Total Revenues	42,053,551	101,279	175,682	8,115,193	50,445,705
<u>Expenditures</u>					
Current:					
Instruction	23,110,028			1,589,910	24,699,938
Supervision of Instruction	600,580			4,656	605,236
Instructional Library and Technology	1,242,662			95,607	1,338,269
School Site Administration	2,532,835			473,306	3,006,141
Home-To-School Transportation	930,202			6,316	936,518
Food Services				1,198,657	1,198,657
Other Pupil Services	3,330,628				3,330,628
Data Processing Services	9,881				9,881
Other General Administration	1,653,205			76,594	1,729,799
Plant Services	2,904,242	203,208	172,948	156,005	3,436,403
Facilities Acquisition and Construction	400,561	3,203,063	1,505,936		5,109,560
Ancillary Services	120,064				120,064
Community Services				893,374	893,374
Other Outgo	8,718				8,718
Debt Service:					
Principal Retirement			179,656	2,475,000	2,654,656
Interest and Issuance Costs			51,609	1,047,613	1,099,222
Total Expenditures	36,843,606	3,406,271	1,910,149	8,017,038	50,177,064
Excess of Revenues Over (Under) Expenditures	5,209,945	(3,304,992)	(1,734,467)	98,155	268,641
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In	73,700		3,360,402	100,000	3,534,102
Operating Transfers Out	(3,230,565)			(303,537)	(3,534,102)
Total Other Financing Sources (Uses)	(3,156,865)	0	3,360,402	(203,537)	0
Net Change in Fund Balances	2,053,080	(3,304,992)	1,625,935	(105,382)	268,641
Fund Balances - July 1, 2015	10,068,133	15,625,407	3,893,150	3,318,652	32,905,342
Fund Balances - June 30, 2016	\$ 12,121,213	\$ 12,320,415	\$ 5,519,085	\$ 3,213,270	\$ 33,173,983

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

Net Change in Fund Balances - Governmental Funds \$ 268,641

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:

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

Capital Outlay Expenditures	\$ 5,599,748	
Depreciation Expense	<u>(1,626,075)</u>	
Net		3,973,673

Amortization of gain or loss from debt refunding: In governmental funds, any gain or loss resulting from debt refunding activities is recognized in the current year. In the government-wide statements, the gain or loss is deferred and amortized as interest over the life of the new or refunded debt, whichever period is shorter. Current year amortization of deferred amounts from refunding were: (85,355)

Bond premiums: In governmental funds, bond premiums are recognized as Other Financing Sources in the period they are received. In the government-wide statements, bond premiums are amortized over the life of the debt. The difference between premiums recognized in the current period and premiums amortized for the period are: 26,224

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned during the fiscal year. The difference between amounts paid and amounts earned was: (5,245)

Post employment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs accrued and employer contributions was: (101,781)

Pension liabilities: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pensions costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was: (392,253)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 2,654,656

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, interest expense is recognized in the period that it is incurred. Unmatured interest owed at the end of the period, less matured interest paid during the period but owed from the prior period, was: 20,381

Accreted interest: In governmental funds, accreted interest on capital appreciation bonds is recognized as an expenditure in the period that it becomes due. In the government-wide statements, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current period was: (467,662)

Change in Net Position of Governmental Activities \$ 5,891,279

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Rincon Valley Union School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Trustees elected by registered voters of the District, which comprises an area in Sonoma County. The District was established in 1948 and serves students in kindergarten through grade eight.

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

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, boards, and agencies that are not legally separate from the District. For Rincon Valley Union School District, this includes general operations, food service, child development programs, 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.

The District has approved a charter for the Rincon Valley Charter School that is operated by the District. Since the District is financially accountable for the fiscally dependent Charter School, and has a financial benefit/burden relationship with the District, the Charter School meets the criteria for inclusion within its financial reporting entity under GASB 61. Accordingly, the financial activities of the Rincon Valley Charter School are presented in the Charter School Fund using the blended component unit method.

The District has also approved charters for Binkley Charter School, Spring Creek/Matanzas Charter School, Village Charter School, and Whited Charter School, which the District does not consider to be separate legal entities for the financial reporting purposes. Accordingly, the financial activities of each of these charter schools are included in the General Fund of the District.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units, when applicable.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Government-wide Financial Statements (Concluded):

The effect of interfund activity, within the governmental activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. 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 as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/Expenditures:

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Expenses/Expenditures (Concluded):

Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District maintains the following governmental fund types:

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District's accounts are organized into major and non-major funds as follows:

Major Governmental Funds:

General Fund is the general operating fund of the District.

Building Fund is used to account for resources received from the issuance of bonds to finance school improvement and expansion.

Capital Projects - Special Reserve Fund is used to account for funds that have been set aside for current and future capital projects throughout the District.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

Non-major Governmental Funds:

Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeteria program.

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

Charter School Fund is used account for revenues received and expenditures made to operate the Rincon Valley Charter School.

Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal.

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

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law, the District's Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 55.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

F. Use of Estimates

The preparation of financial statements in conformity with principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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 at June 30.

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

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

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

2. Stores Inventory

Stores inventory is recorded using the purchase method in that the cost (handling charge for state surplus food) is recorded as an expenditure at the time individual inventory items are purchased. Inventory is valued at average cost and consists of expendable supplies held for consumption.

Reported inventory is equally offset by a reserve, which indicates that the amount is not available for appropriation.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	20
Buildings and Improvements	10-50
Furniture and Equipment	5-15

4. Deferred Outflows/Inflows of Resources

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

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

5. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

6. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements.

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

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS), and additions to/deductions from the CalSTRS' and CalPERS' 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. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

9. Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The allowable classifications used in the governmental fund financial statements are as follows:

Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that are set aside for a specific purpose by the district's highest level of decision making authority (governing board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the district's highest level of decision making authority or a body or official that has been given the authority to assign funds. In accordance with board policy, the Deputy Superintendent of Business Services has been given this authority.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

9. Fund Balances (Concluded)

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. In accordance with board policy, the District intends to maintain a Reserve for Economic Uncertainties of at least 15% of the General Fund's annual total expenditures and other financing uses. In the event the fund balance drops below 15%, it shall be recovered at a rate of no less than 1% each year.

The District considers restricted fund balances to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

10. Local Control Funding Formula (LCFF)/Property Tax

As part of the 2013-14 State Budget Act, the formula for determining the level of funding per student changed from the "revenue limit" formula to the "Local Control Funding Formula" (LCFF). The LCFF creates base, supplemental and concentration grants as the new general purpose entitlement to replace most existing funding streams, including the State aid portion of the revenue limit and most State categorical programs from prior years. District funding under the LCFF is generally provided by a mix of State aid and local property taxes.

The County of Sonoma is responsible for assessing, collecting and apportioning property taxes to the District. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date.

Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Concluded)

10. Local Control Funding Formula (LCFF)/Property Tax (Concluded)

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District. The California Department of Education reduces the District's LCFF entitlement by the District's local property tax revenue. Any balance remaining is paid from the State General Fund, and is known as LCFF State Aid.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, consist of the following:

Cash on Hand and in Banks	\$	3,050
Cash in Revolving Funds		9,250
County Pool Investments		<u>34,849,049</u>
Total	\$	<u>34,861,349</u>

Cash on Hand and in Banks

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District, exclusive of amounts held in revolving funds.

Cash in Revolving Funds

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds as well as petty cash funds.

County Pool Investments

County pool investments consist of District cash held by the Sonoma County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio).

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

General Authorization

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule below:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, as the length of the maturity of an investment increases, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury that purchases a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

Information about the sensitivity of the fair value of the District's investment to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investment by maturity:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1 Year</u>
County Pool Investments	\$ 34,849,049	\$ 34,876,928	\$ 11,252,835	\$ 23,596,214

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Unrated</u>
County Pool Investments	\$ 34,849,049	\$ 34,876,928			\$ 34,849,049

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. However, the District does not hold any investments in any one issuer, at year-end, that represents five percent or more of the total investments held by the District.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the 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.

Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2016, the District does not have any investments that are held by counterparties.

Derivative Investments

The District does not directly invest in any derivative investments. Information relating to the use of derivative investments by the Sonoma County Treasury was not available.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - RECEIVABLES

Receivables at June 30, 2016 consist of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government	\$ 197,706	\$ 91,820	\$ 289,526
State Government	710,363	41,635	751,998
Local Governments	1,426,609	143,911	1,570,520
Miscellaneous	80,656	134	80,790
Totals	<u>\$ 2,415,334</u>	<u>\$ 277,500</u>	<u>\$ 2,692,834</u>

NOTE 4 - INTERFUND ACTIVITIES

Interfund transactions are reported as loans, services provided reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

A. Due From /Due To Other Funds

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

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 420,821	\$ 3,387,595
Cafeteria	100,000	100,000
Child Development	70	65,355
Capital Projects - Special Reserve	3,517,362	
Charter School		255,466
Capital Facilities		229,837
Totals	<u>\$ 4,038,253</u>	<u>\$ 4,038,253</u>

All interfund receivables and payables are scheduled to be paid within one year.

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2015-16 were as follows:

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - INTERFUND ACTIVITIES (CONCLUDED)

B. Interfund Transfers (Concluded)

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 73,700	\$ 3,230,565
Cafeteria	100,000	
Capital Projects - Special Reserve	3,360,402	
Charter School		73,700
Capital Facilities	<u> </u>	<u>229,837</u>
Totals	<u>\$ 3,534,102</u>	<u>\$ 3,534,102</u>

Transfer of \$3,130,565 from the General Fund to the Capital Projects - Special Reserve Fund to provide funding for current and future capital related projects throughout the District.

Transfer of \$100,000 from the General Fund to the Cafeteria Fund to supplement the program.

Transfer of \$73,700 from the Charter School Fund to the General Fund to pay for business oversight fee and reimburse various operating expenditures.

Transfer of \$229,837 from the Capital Facilities Fund to the Capital Projects - Special Reserve Fund to provide funding for the capital lease debt service payment.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

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

	<u>Balances</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2016</u>
Land	\$ 1,122,383			\$ 1,122,383
Sites and Improvements	2,236,115	\$ 34,298		2,270,413
Buildings and Improvements	46,016,809	528,743		46,545,552
Furniture and Equipment	2,214,556	544,827	\$ 345,143	2,414,240
Work-in-Progress	3,259,312	4,854,826	362,946	7,751,192
Totals at Historical Cost	<u>54,849,175</u>	<u>5,962,694</u>	<u>708,089</u>	<u>60,103,780</u>
Less Accumulated Depreciation for:				
Sites and Improvements	1,054,344	87,076		1,141,420
Buildings and Improvements	16,434,786	1,354,505		17,789,291
Furniture and Equipment	1,176,062	184,494	345,143	1,015,413
Total Accumulated Depreciation	<u>18,665,192</u>	<u>1,626,075</u>	<u>345,143</u>	<u>19,946,124</u>
Governmental Activities				
Capital Assets, net	<u>\$ 36,183,983</u>	<u>\$ 4,336,619</u>	<u>\$ 362,946</u>	<u>\$ 40,157,656</u>

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 1,012,127
Instruction-Related Services	198,990
Pupil Services	206,579
General Administration	69,366
Plant Services	<u>139,013</u>
Total	<u>\$ 1,626,075</u>

NOTE 6 - GENERAL OBLIGATION BONDS

On the June 3, 2014 general election, the registered voters of the District approved Measure F, which authorizes the District to issue up to \$35,000,000 in general obligation bonds to renovate, construct, and improve school facilities. On October 23, 2014, the District issued general obligation bonds in the amount of \$18,000,000 (Series A).

The outstanding general obligation debt of the District as of June 30, 2016 is as follows:

A. Current Interest Bonds

Year Of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2015	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2016
2005	5.00	2037	\$ 1,940,000	\$ 1,940,000			\$ 1,940,000
2012	2.25	2029	15,980,000	14,970,000		\$ 800,000	14,170,000
2014	2.00-5.00	2040	<u>18,000,000</u>	<u>18,000,000</u>		<u>1,605,000</u>	<u>16,395,000</u>
Totals			<u>\$ 35,920,000</u>	<u>\$ 34,910,000</u>	<u>\$ 0</u>	<u>\$ 2,405,000</u>	<u>\$ 32,505,000</u>

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2016, are as follows:

Year Ended June 30	Principal	Interest	Totals
2017	\$ 2,035,000	\$ 991,775	\$ 3,026,775
2018	1,940,000	932,794	2,872,794
2019	1,110,000	886,700	1,996,700
2020	1,200,000	856,412	2,056,412
2021	1,280,000	823,619	2,103,619
2022-2026	7,965,000	3,488,669	11,453,669
2027-2031	6,855,000	2,255,750	9,110,750
2032-2036	4,830,000	1,544,487	6,374,487
2037-2041	<u>5,290,000</u>	<u>329,013</u>	<u>5,619,013</u>
Totals	<u>\$ 32,505,000</u>	<u>\$ 12,109,219</u>	<u>\$ 44,614,219</u>

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds

<u>Year Of Issue</u>	<u>Accretion Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2015</u>	<u>Accreted Interest Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2016</u>
2005	3.04-11.75	2036	\$ 5,459,008	\$ 8,695,652	\$ 467,662	\$ 70,000	\$ 9,093,314

The outstanding obligation for the capital appreciation bonds at June 30, 2016, is as follows:

<u>Year Ended June 30</u>	<u>Amount of Original Issue (Principal)</u>	<u>Accreted Interest</u>	<u>Totals</u>
2017	\$ 45,762	\$ 28,965	\$ 74,727
2018	112,228	73,442	185,670
2019	118,538	81,012	199,550
2020	117,275	81,439	198,714
2021	118,080	83,305	201,385
2022-2026	597,230	438,008	1,035,238
2027-2031	1,536,052	1,195,718	2,731,770
2032-2036	2,434,429	2,031,831	4,466,260
Totals	\$ 5,079,594	\$ 4,013,720	\$ 9,093,314

The annual requirements to amortize the capital appreciation bonds at June 30, 2016, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 45,762	\$ 29,238	\$ 75,000
2018	112,228	82,772	195,000
2019	118,538	101,462	220,000
2020	117,275	112,725	230,000
2021	118,080	126,920	245,000
2022-2026	597,230	877,770	1,475,000
2027-2031	1,536,052	3,843,948	5,380,000
2032-2036	2,434,429	9,640,571	12,075,000
Totals	\$ 5,079,594	\$ 14,815,406	\$ 19,895,000

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7 - CAPITAL LEASE

On December 1, 2009, the District entered into an adjustable rate lease purchase agreement with the Public Agency Finance Corporation in the amount of \$3,735,000, with an initial interest rate of 3.57% per annum. On December 1, 2014, December 1, 2019, and on December 1, 2024, the interest rate on any such maturities shall be adjusted to equal 85% of the Seattle Federal Home Loan Bank 5 Year Advance Rate. The District used the proceeds to redeem the 2003 Series L certificates of participation.

Future estimated debt service payments based on the effective interest rate are as follows:

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 182,868	\$ 48,396	\$ 231,264
2018	186,138	45,127	231,265
2019	189,466	41,799	231,265
2020	192,853	38,411	231,264
2021	196,301	34,963	231,264
2022-2026	1,035,425	120,899	1,156,324
2027-2031	781,365	28,063	809,428
Totals	<u>\$ 2,764,416</u>	<u>\$ 357,658</u>	<u>\$ 3,122,074</u>

NOTE 8 - OPERATING LEASES

The District has entered into various operating leases related to capital improvement projects with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration dates.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

From an accrual accounting perspective, the cost of other post employment benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when the benefits are paid or provided.

Governmental Accounting Standards Board Statement No. 45 requires an accrual basis measurement and recognition of OPEB cost over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan.

Plan Descriptions: The District provides medical coverage to employees who retire from active status with a specified minimum age and years of service, and who are also eligible for pension benefits under either the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS). The benefits provided to eligible retirees are presented on the following table:

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Plan Descriptions (Concluded)

	Certificated hired before 6/30/86	Classified, Confidential, Supervisors and Classified Management hired before 7/1/14	Certificated Management hired before 6/14/88**
Duration of Benefits	To age 65 ***	To age 65	To age 65 *
Required Service	20 years ***	5 years	20 years *
Minimum age	55 years	55 years	55 years
Dependent Coverage	Yes ***	Yes	Yes *
District Contribution %	100%	100%	100%
District Cap	Active cap	100% of active cap at 15 years of service; 5 to 15 years, prorated percentage of cap	Active cap

- * At 20 years of service, employee only coverage to age 65; at 25 years of service, a choice of employee only coverage to age 70 or employee plus dependent coverage to age 65.
- ** Supervisors and confidential employees hired before 6/14/88 were also eligible for paid benefits, but there are no remaining active employees who may qualify.
- *** At 20 years of service, employee plus one dependent coverage to age 65; at 25 years of service, a choice of employee only coverage to age 70 or employee plus dependent coverage to age 65.

The District has eliminated benefits for certificated employees hired after 1986 and classified employees hired after 2014. Benefits are provided until the age of 65, with some extended coverage for those with high years of service.

All contracts with District employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by various labor agreements.

The District had 160 active employees and 19 retired employees covered under the OPEB plan as of January 1, 2016, the effective date of the triennial OPEB valuation. For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2016, the amount actually contributed to the plan, and changes in the District's net OPEB obligation that resulted in a net OPEB obligation of \$302,332 for the year ended June 30, 2016:

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (Concluded):

Annual required contribution (ARC)	\$ 229,536
Interest on Net OPEB Obligation	9,025
Adjustment to ARC	<u>(13,836)</u>
Annual OPEB cost (expense)	224,725
Contributions for the fiscal year	<u>(122,944)</u>
Increase in net OPEB obligation	101,781
Net OPEB Obligation - June 30, 2015	<u>200,551</u>
Net OPEB Obligation - June 30, 2016	<u><u>\$ 302,332</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 224,725	54.7%	\$ 302,332
June 30, 2015	239,874	58.1%	200,551
June 30, 2014	239,367	62.9%	99,967

Funding Policy: The District currently pays for post employment health care benefits on a pay-as-you-go basis, and these financial statements assume that pay-as-you-go funding will continue.

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 benefit costs between the employer and plan members to that point. The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement and other factors that affect the number of people eligible to receive future retiree benefits. 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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

Actuarial Methods and Assumptions (Concluded):

In the January 1, 2016, actuarial valuation, the liabilities were computed using the entry age normal method and a level percentage of payroll method, closed 30 year amortization for the initial unfunded actuarial accrued liability (UAAL), and a level dollar, open 24 year amortization period for any residual UAAL. The actuarial assumptions utilized a 4.5% discount rate, the expected long-term rate of return on District assets. The compensation increase rate of 2.75% was provided by the District and based on historical data. The valuation assumes a 4% health care cost trend rate based on the actuary's long-term assumption that the average increase over time cannot continue to outstrip general inflation by a wide margin.

The valuation assumed a 100% participation rate and assumes 80% of the retirees to be married at retirement; after retirement, the percentage married was adjusted to reflect mortality.

NOTE 10 - RETIREMENT PLANS

Qualified employees are covered under retirement plans maintained by agencies of the State of California. Certificated employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California State Teachers' Retirement System (CalSTRS) and classified employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California Public Employees' Retirement System (CalPERS).

The District reported net pension liabilities, deferred outflows of resources, and deferred inflows of resources in the accompanying statement of net position as follows:

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
CalSTRS	\$ 23,294,680	\$ 2,586,688	\$ 2,162,824
CalPERS	8,270,069	1,748,541	756,431
Totals	<u>\$ 31,564,749</u>	<u>\$ 4,335,229</u>	<u>\$ 2,919,255</u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The California State Teachers Retirement System (CalSTRS) provides pension benefits, including disability and survivor benefits, to California full-time and part-time public school teachers and certain other employees of the public school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established the plan and CalSTRS as the administrator. The benefit terms of the plan may be amended through legislation. CalSTRS issues a stand-alone comprehensive annual financial report available to the public that can be found on the CalSTRS website.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Benefits Provided

The State Teachers' Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs and to defray reasonable expenses for administering the STRP. Although CalSTRS is the administrator of the STRP, the State of California is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity of the STRP.

The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform services that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on a members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas and some of the differences are noted below.

CalSTRS 2% at 60

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

CalSTRS calculates retirement benefits based on one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of service, or for classroom teachers with less than 25 years of credited service if the employer entered into, extended, renewed, or amended an agreement prior to January 1, 2014, to elect to pay the additional benefit cost for all of its classroom teachers. One year final compensation means a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Benefits Provided (Concluded)

CalSTRS 2% at 62

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

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for any 36 consecutive months of credited service.

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members: Under CalSTRS 2% at 60, the member contribution rate was 9.20% of applicable member earnings for fiscal year 2015-16. Under CalSTRS 2% at 62, the member contribution rate was 8.56% of applicable member earnings for fiscal year 2015-16. The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

Employers: Pursuant to Chapter 47, Statutes of 2014 (AB 1469 - Bonta), the employer contribution rate was 10.73% of applicable member earnings for fiscal year 2015-16. The District contributed \$1,818,886 to the plan for the fiscal year ended June 30, 2016.

State: The contribution was 2.017% of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also, as a result of AB 1469 - Bonta, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in Education Code Section 22955.1(b). The additional state contribution for the fiscal year ended June 30, 2016 was 2.874%. Including a 2.50% contribution for SBMA funding, the total state appropriation to the defined benefit program was 7.391% for the fiscal year ended June 30, 2016.

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

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

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)

District's proportionate share of the net pension liability	\$ 23,294,680
State's proportionate share of the net pension liability associated with the District	<u>493,337</u>
Total net pension liability attributed to District	<u><u>\$ 23,788,017</u></u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on a District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. The District's proportionate share of the net pension liability as of June 30, 2014 and June 30, 2015 was as follows:

Proportion - June 30, 2014	0.0334%
Proportion - June 30, 2015	<u>0.0346%</u>
Change - Increase (Decrease)	<u><u>0.0012%</u></u>

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$3,624,644, which includes \$1,069,374 of support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 1,818,886	
Differences between expected and actual experience		\$ 389,112
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	767,802	
Net differences between projected and actual earnings on plan investments		<u>1,773,712</u>
Totals	<u><u>\$ 2,586,688</u></u>	<u><u>\$ 2,162,824</u></u>

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

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

Year Ended June 30	
2017	\$ (681,058)
2018	(681,058)
2019	(681,058)
2020	521,922
2021	63,115
2022	63,115

Differences between expected and actual experience, changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2015. Differences between projected and actual earnings on plan investments are netted and reduced over a closed 5-year period.

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return ¹	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit	2.00% simple for DB (Annually)
	Maintain 85% purchasing power level for DB

¹ Net of investment expenses, but gross of administrative expenses. CalSTRS uses a 7.5% assumed investment rate of return for funding purposes, which is net of administrative expenses.

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

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Actuarial Methods and Assumptions (Concluded)

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 investments 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 February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

* 10-year geometric average

Discount Rate

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

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Concluded)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.60%, 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 one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	Discount Rate 1% Decrease 6.60%	Discount Rate Current Rate 7.60%	Discount Rate 1% Increase 8.60%
District's proportionate share of the net pension liability	\$ 35,173,153	\$ 23,294,680	\$ 13,422,710

Pension Plan's Fiduciary Net Position

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

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by the CalPERS. All employees who work at least half time or are appointed to a job that will last at least six months and one day are eligible for CalPERS. Benefits vest after five years. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life. Employees hired after January 1, 2013 with five years of credit service must be at least age 52 to retire.

The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

Contributions (Concluded)

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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 6.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2016 was 11.847% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2016 was \$803,681.

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2016, the District reported a liability of \$8,270,069 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2014 and June 30, 2015 was as follows:

Proportion - June 30, 2014	0.0548%
Proportion - June 30, 2015	<u>0.0561%</u>
Change - Increase (Decrease)	<u><u>0.0013%</u></u>

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$459,550. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 803,681	
Differences between expected and actual experience	476,721	
Changes of assumptions		\$ 512,517
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	468,139	
Net differences between projected and actual earnings on plan investments		243,914
Totals	\$ 1,748,541	\$ 756,431

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

Year Ended June 30	
2017	\$ 2,051
2018	2,051
2019	(155,241)
2020	339,568

Differences between expected and actual experience, changes in assumptions, and changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2015. Differences between projected and actual earnings on plan investments are netted and reduced over a closed 5-year period.

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuations were determined using the following actuarial methods and assumptions:

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

Actuarial Assumptions (Concluded)

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.50%
Consumer Price Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of Return (1)	7.50%
Post Retirement Benefit Increase (2)	

(1) Net of pension plan investment and administrative expenses, includes inflation

(2) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

Mortality rate table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS website.

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% 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%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. For the Schools Pool, this difference was deemed immaterial.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

Discount Rate (Concluded)

CalPERS is scheduled to review all actuarial assumptions as part of its regular asset liability management 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.

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	Current Target Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	19.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - RETIREMENT PLANS (CONCLUDED)

B. California Public Employees' Retirement System (CalPERS) (Concluded)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	Discount Rate 1% Decrease 6.50%	Discount Rate Current Rate 7.50%	Discount Rate 1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 13,460,226	\$ 8,270,069	\$ 3,954,106

Pension Plan Fiduciary Net Position

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

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately.

Both the District and participating employees were required to contribute 6.2% of an employee's gross earnings, up to the annual limit.

NOTE 11 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2016, is shown below:

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - LONG-TERM LIABILITIES (CONCLUDED)

	Balances July 1, 2015	Additions	Deductions	Balances June 30, 2016	Due within One Year
Compensated Absences	\$ 143,016	\$ 148,261	\$ 143,016	\$ 148,261	\$ 148,261
General Obligation Bonds:					
Current Interest	34,910,000		2,405,000	32,505,000	2,035,000
Capital Appreciation	8,695,652	467,662	70,000	9,093,314	75,000
Bond Premium	631,569		26,224	605,345	26,224
Capital Lease	2,944,072		179,656	2,764,416	182,868
Other Post Employment Benefits	200,551	224,725	122,944	302,332	
Net Pension Liability - CalSTRS	19,541,489	3,753,191		23,294,680	
Net Pension Liability - CalPERS	6,217,049	2,053,020		8,270,069	
Totals	\$ 73,283,398	\$ 6,646,859	\$ 2,946,840	\$ 76,983,417	\$ 2,467,353

Compensated absences and other post employment benefits are obligations of the General Fund, the capital lease is an obligation of the Capital Facilities Fund, the net pension liabilities are obligations of the General Fund, Cafeteria Fund, and Child Development Fund, and general obligation bonds are obligations of the Bond Interest and Redemption Fund.

NOTE 12 - FUND BALANCES

The District's fund balances at June 30, 2016 consisted of the following:

	General Fund	Building Fund	Capital Projects - Special Reserve Fund	Non-Major Governmental Funds	Totals
Nonspendable:					
Revolving Cash	\$ 7,250			\$ 2,000	\$ 9,250
Stores Inventory	2,227			4,359	6,586
Total Nonspendable	9,477			6,359	15,836
Restricted:					
Categorical Programs	1,529,013			172,648	1,701,661
Food Service Programs				209,900	209,900
Capital Projects		\$ 12,320,415		448	12,320,863
Debt Service				2,519,992	2,519,992
Total Restricted	1,529,013	12,320,415		2,902,988	16,752,416
Assigned:					
Building Projects			\$ 5,519,085		5,519,085
Other Assignments	3,620,122			303,923	3,924,045
Total Assigned	3,620,122		5,519,085	303,923	9,443,130
Unassigned:					
Reserve for Economic Uncertainties	6,962,601				6,962,601
Total Fund Balances	\$ 12,121,213	\$ 12,320,415	\$ 5,519,085	\$ 3,213,270	\$ 33,173,983

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the California State Teachers' Retirement System (CalSTRS) for K-12 education. These payments consist of state general fund contributions of \$1,069,374 to CalSTRS (7.12589% of creditable compensation subject to CalSTRS for the 2013-14 fiscal year). These contributions are recorded in the General Fund as revenue and expenditures. The District is not legally responsible for these contributions.

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015-16, the District participated in one joint powers authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

NOTE 15 - JOINT VENTURE

The District participates in one joint venture under a joint powers agreement (JPA) with the Redwood Empire Schools' Insurance Group (RESIG) for property & liability, and workers' compensation insurance coverage. The relationship between the 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/or provides coverage for its members, and the JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

The JPA is audited on an annual basis. Financial information can be obtained by contacting JPA management.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received other 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 reimbursements will not be material.

B. Litigation

The District is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

C. Construction Commitments

As of June 30, 2016, the District has the following commitments with respect to the unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Austin Creek Modernization Projects	\$ 780,722	2021
Binkley Modernization Projects	300,000	2017
Madrone Modernization Projects	1,500,000	2017
Matanzas Modernization Projects	500,000	2017
Sequoia Modernization Projects	6,000,000	2019
Spring Creek Modernization Projects	5,102,406	2020
Village Modernization Projects	8,345,532	2017
Whited Modernization Projects	<u>6,494,584</u>	2018
Total	<u>\$ 29,023,244</u>	

NOTE 17 - ECONOMIC DEPENDENCY

During fiscal year 2015-16, the District received \$1,087,945 of parcel tax revenue that is subject to voter approval. The parcel tax revenue is used to support various District programs and expires in fiscal year 2017-18.

NOTE 18 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 7, 2016, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements, except as noted below.

Parcel Tax

On November 8, 2016, voters approved Measure H, a \$96 parcel tax that will be assessed for twelve years, beginning on July 1, 2018. The tax proceeds will be used to support technology, music, and science programs.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 14,323,842	\$ 13,927,760	\$ 13,267,838	\$ (659,922)
Local Sources	13,190,591	14,411,086	15,023,118	612,032
Total LCFF Sources	27,514,433	28,338,846	28,290,956	(47,890)
Federal Revenue	1,080,669	1,393,477	1,447,720	54,243
Other State Revenue	2,605,773	4,233,491	4,363,862	130,371
Other Local Revenue	8,650,327	8,175,652	7,951,013	(224,639)
Total Revenues	39,851,202	42,141,466	42,053,551	(87,915)
<u>Expenditures</u>				
Certificated Salaries	16,720,100	16,441,659	16,325,023	116,636
Classified Salaries	6,060,026	6,417,137	6,191,690	225,447
Employee Benefits	6,486,844	7,701,793	7,658,070	43,723
Books and Supplies	1,784,345	2,680,673	2,146,440	534,233
Services and Other				
Operating Expenditures	3,903,700	4,130,892	3,632,435	498,457
Capital Outlay	685,758	899,602	881,865	17,737
Other Expenditures	4,500	8,083	8,083	
Total Expenditures	35,645,273	38,279,839	36,843,606	1,436,233
Excess of Revenues Over Expenditures	4,205,929	3,861,627	5,209,945	1,348,318
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	4,350,760	76,526	73,700	(2,826)
Operating Transfers Out	(6,730,565)	(3,233,391)	(3,230,565)	2,826
Total Other Financing Sources (Uses)	(2,379,805)	(3,156,865)	(3,156,865)	0
Net Change in Fund Balances	1,826,124	704,762	2,053,080	\$ 1,348,318
Fund Balances - July 1, 2015	10,068,133	10,068,133	10,068,133	
Fund Balances - June 30, 2016	\$ 11,894,257	\$ 10,772,895	\$ 12,121,213	

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
1/1/2016	\$ 0	\$ 1,841,627	\$ 1,841,627	0%	\$ 5,125,000	35.9%
2/1/2013	0	1,629,339	1,629,339	0%	5,170,705	31.5%
1/1/2010	0	1,754,947	1,754,947	0%	4,654,467	37.7%

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

RINCON VALLEY UNION SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS *

JUNE 30, 2016

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated to District	Total NPL Attributed to District	District's Covered Employee Payroll	District's Proportionate Share of the NPL as a % of Covered Employee Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2016	0.0346%	\$ 23,294,680	\$ 493,337	\$ 23,788,017	\$ 16,059,876	145.05%	74.02%
2015	0.0334%	19,541,489	462,635	20,004,124	14,894,388	131.20%	76.52%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

RINCON VALLEY UNION SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS *

JUNE 30, 2016

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered Employee Payroll	District's Proportionate Share of the NPL as a % of Covered Employee Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2016	0.0561%	\$ 8,270,069	\$ 6,211,460	133.14%	79.43%
2015	0.0548%	6,217,049	5,748,855	108.14%	83.38%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - CALSTRS *
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Employee Payroll	Contributions As a % of Covered Employee Payroll
2016	\$ 1,818,886	\$ 1,818,886	\$ -	\$ 16,951,407	10.73%
2015	1,476,670	1,476,670	-	16,629,166	8.88%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - CALPERS *
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Employee Payroll	Contributions As a % of Covered Employee Payroll
2016	\$ 803,681	\$ 803,681	\$ -	\$ 6,783,836	11.847%
2015	731,206	731,206	-	6,211,927	11.771%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object. There was no excess of expenditures over appropriations in the General Fund as of June 30, 2016.

B. Schedule of Funding Progress

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, the District is required to present a Schedule of Funding Progress which shows the funding progress of the District's OPEB plan for the most recent valuation and the two preceding valuations. The information required to be disclosed includes the valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability, the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll and the ratio of the unfunded actuarial liability to annual covered payroll.

C. Schedule of the Proportionate Share of the Net Pension Liability

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the District's proportion and proportionate share of the collective net pension liability, the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability associated with the District, if applicable, the District's covered-employee payroll, the District's proportionate share of the collective net pension liability as a percentage of the District's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

D. Schedule of Contributions

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the statutorily or contracted required District contribution, the amount of contributions recognized by the pension plan in relation to the required District contribution, the difference between the required District contribution and the amount recognized by the pension plan, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation of the District as a percentage of the District's covered-employee payroll.

SUPPLEMENTARY INFORMATION SECTION

**RINCON VALLEY UNION SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016**

	Cafeteria	Child Development
<u>Assets</u>		
Deposits and Investments	\$ 125,649	\$ 334,664
Receivables	99,436	
Due from Other Funds	100,000	70
Stores Inventory	4,359	
Total Assets	\$ 329,444	\$ 334,734
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable	\$ 15,185	\$ 29,601
Due to Other Funds	100,000	65,355
Total Liabilities	115,185	94,956
Fund Balances:		
Nonspendable	4,359	2,000
Restricted	209,900	
Assigned		237,778
Total Fund Balances	214,259	239,778
Total Liabilities and Fund Balances	\$ 329,444	\$ 334,734

<u>Charter School</u>	<u>Bond Interest and Redemption</u>	<u>Capital Facilities</u>	<u>Total Non-Major Governmental Funds</u>
\$ 370,207 178,064	\$ 2,519,992	\$ 230,285	\$ 3,580,797 277,500 100,070 4,359
<u>\$ 548,271</u>	<u>\$ 2,519,992</u>	<u>\$ 230,285</u>	<u>\$ 3,962,726</u>
\$ 54,012 255,466		\$ 229,837	\$ 98,798 650,658
<u>309,478</u>		<u>229,837</u>	<u>749,456</u>
172,648 66,145	\$ 2,519,992	448	6,359 2,902,988 303,923
<u>238,793</u>	<u>2,519,992</u>	<u>448</u>	<u>3,213,270</u>
<u>\$ 548,271</u>	<u>\$ 2,519,992</u>	<u>\$ 230,285</u>	<u>\$ 3,962,726</u>

**RINCON VALLEY UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Cafeteria	Child Development
<u>Revenues</u>		
LCFF Sources:		
State Apportionment / Transfers		
Federal Revenue	\$ 754,190	
State Revenue	56,613	
Local Revenue	412,153	\$ 1,024,997
	<u>1,222,956</u>	<u>1,024,997</u>
Total Revenues		
<u>Expenditures</u>		
Current:		
Instruction		
Supervision of Instruction		
Instructional Library and Technology		
School Site Administration		
Home-To-School Transportation		
Food Services	1,198,657	
Other General Administration		
Plant Services		65,355
Community Services		893,374
Debt Service:		
Principal Retirement		
Interest and Issuance Costs		
	<u>1,198,657</u>	<u>958,729</u>
Total Expenditures		
Excess of Revenues Over (Under) Expenditures	<u>24,299</u>	<u>66,268</u>
<u>Other Financing Sources (Uses)</u>		
Operating Transfers In	100,000	
Operating Transfers Out		
	<u>100,000</u>	<u>0</u>
Total Other Financing Sources (Uses)		
Net Change in Fund Balances	124,299	66,268
Fund Balances - July 1, 2015	89,960	173,510
Fund Balances - June 30, 2016	<u>\$ 214,259</u>	<u>\$ 239,778</u>

<u>Charter School</u>	<u>Bond Interest and Redemption</u>	<u>Capital Facilities</u>	<u>Total Non-Major Governmental Funds</u>
\$ 2,066,004			\$ 2,066,004
427,095	\$ 30,674		754,190
2,381	3,111,076	\$ 230,010	514,382
<u>2,495,480</u>	<u>3,141,750</u>	<u>230,010</u>	<u>4,780,617</u>
1,589,910			1,589,910
4,656			4,656
95,607			95,607
473,306			473,306
6,316			6,316
			1,198,657
76,594			76,594
90,650			156,005
			893,374
	2,475,000		2,475,000
	1,047,613		1,047,613
<u>2,337,039</u>	<u>3,522,613</u>	<u>0</u>	<u>8,017,038</u>
<u>158,441</u>	<u>(380,863)</u>	<u>230,010</u>	<u>98,155</u>
<u>(73,700)</u>		<u>(229,837)</u>	<u>100,000</u>
<u>(73,700)</u>	<u>0</u>	<u>(229,837)</u>	<u>(303,537)</u>
84,741	(380,863)	173	(105,382)
154,052	2,900,855	275	3,318,652
<u>\$ 238,793</u>	<u>\$ 2,519,992</u>	<u>\$ 448</u>	<u>\$ 3,213,270</u>

RINCON VALLEY UNION SCHOOL DISTRICT
ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

ORGANIZATION

The Rincon Valley Union School District was established in 1948. The District is in Santa Rosa, California. There were no changes in District boundaries during the year. The District operates three elementary schools, five elementary conversion charter schools, a dependent seventh and eighth grade charter school, and a special education consortium.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Carol Lynn Wood	President	November, 2016
Katie Barr	Clerk	November, 2016
Cynthia Evers	Member	November, 2016
Jeff Gospe	Member	November, 2018
Chris Rafanelli	Member	November, 2018

ADMINISTRATION

Tony Roehrick, Ed. D.
Superintendent

Joseph Pandolfo Jr., Ed. D.
Deputy Superintendent, Business

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	P-2 Report		
	TK / K - 3	4 - 6	Totals
Regular	771.44	570.30	1,341.74
Extended Year - Special Education	5.99	2.85	8.84
Special Education - NPS / LCI	2.66	5.92	8.58
Extended Year - Special Education NPS / LCI	0.32	0.68	1.00
Totals	780.41	579.75	1,360.16

	Annual Report		
	TK / K - 3	4 - 6	Totals
Regular	769.08	570.61	1,339.69
Extended Year - Special Education	5.99	2.85	8.84
Special Education - NPS / LCI	2.58	6.40	8.98
Extended Year - Special Education NPS / LCI	0.32	0.68	1.00
Totals	777.97	580.54	1,358.51

RINCON VALLEY UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE - CHARTER SCHOOL

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>P-2 Report</u>		<u>Annual Report</u>	
	Classroom -		Classroom -	
	<u>Based</u>	<u>Totals</u>	<u>Based</u>	<u>Totals</u>
<u>Binkley</u>				
TK / K - 3	225.76	226.51	224.78	225.33
Grades 4 - 6	168.59	169.44	168.74	169.40
Totals	<u>394.35</u>	<u>395.95</u>	<u>393.52</u>	<u>394.73</u>
<u>Spring Creek / Matanzas</u>				
TK / K - 3	328.69	330.03	329.70	331.01
Grades 4 - 6	244.08	245.05	244.23	245.21
Totals	<u>572.77</u>	<u>575.08</u>	<u>573.93</u>	<u>576.22</u>
<u>Village</u>				
TK / K - 3	219.07	219.75	218.25	218.80
Grades 4 - 6	170.46	170.93	170.35	170.78
Totals	<u>389.53</u>	<u>390.68</u>	<u>388.60</u>	<u>389.58</u>
<u>Whited</u>				
TK / K - 3	238.81	240.04	238.81	239.89
Grades 4 - 6	189.27	189.91	189.15	189.97
Totals	<u>428.08</u>	<u>429.95</u>	<u>427.96</u>	<u>429.86</u>
<u>Rincon Valley</u>				
TK / K - 3		14.09		15.37
Grades 4 - 6		12.00		11.74
Grades 7 - 8	244.80	257.28	243.36	256.48
Totals	<u>244.80</u>	<u>283.37</u>	<u>243.36</u>	<u>283.59</u>

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Grade Level</u>	<u>Minutes Required</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	51,948	180	N/A	In Compliance
Grade 1	50,400	51,948	180	N/A	In Compliance
Grade 2	50,400	51,948	180	N/A	In Compliance
Grade 3	50,400	51,948	180	N/A	In Compliance
Grade 4	54,000	54,108	180	N/A	In Compliance
Grade 5	54,000	54,108	180	N/A	In Compliance
Grade 6	54,000	54,108	180	N/A	In Compliance

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME - CHARTER SCHOOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Grade Level</u>	<u>Minutes Required</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	51,948	180	N/A	In Compliance
Grade 1	50,400	51,948	180	N/A	In Compliance
Grade 2	50,400	51,948	180	N/A	In Compliance
Grade 3	50,400	51,948	180	N/A	In Compliance
Grade 4	54,000	54,108	180	N/A	In Compliance
Grade 5	54,000	54,108	180	N/A	In Compliance
Grade 6	54,000	54,108	180	N/A	In Compliance
Grade 7	54,000	55,010	180	N/A	In Compliance
Grade 8	54,000	55,010	180	N/A	In Compliance

Auditor's Comment

All District charter schools provided the same number of instructional minutes per grade level during fiscal year 2015-16.

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

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identification Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture:				
Passed Through California Department of Education (CDE):				
<i>Child Nutrition Cluster:</i>				
National School Lunch	10.555	13524	\$	496,543
School Basic Breakfast	10.553	13525		3,822
School Needy Breakfast	10.553	13526		195,508
USDA Food Commodities	10.555	*		58,317
Total U.S. Department of Agriculture				<u>754,190</u>
U.S. Department of Education:				
Passed Through CDE:				
<i>Title I, Part A Cluster:</i>				
NCLB: Title I, Part A, Program Improvement	84.010	14957		25,042
NCLB: Title I, Part A, Basic Grant Low-Income & Neglected	84.010	14329		208,480
Subtotal Title I, Part A Cluster				<u>233,522</u>
NCLB: Title II Improving Teacher Quality	84.367	14341		96,512
NCLB: Title III Limited English Proficient	84.365	14346		59,052
Passed Through Sonoma County SELPA:				
<i>Special Education Cluster:</i>				
IDEA Part B Basic Local Assistance	84.027	13379		454,519
IDEA Part B Preschool Grants	84.173	13430		24,368
IDEA Part B Preschool Local Entitlement	84.027A	13682		33,685
IDEA Part B Preschool Staff Development	84.173A	13431		1,132
Subtotal Special Education Cluster				<u>513,704</u>
Total U.S. Department of Education				<u>902,790</u>
U.S. Department of Health and Human Services:				
<i>Medicaid Cluster:</i>				
Passed Through Sonoma County SELPA:				
Medi-Cal Billing Option	93.778	10013		217,811
Passed Through Sonoma County Office of Education:				
Medi-Cal Administrative Activities	93.778	10060		276,836
Total U.S. Department of Health and Human Services				<u>494,647</u>
Totals			<u>\$ 0</u>	<u>\$ 2,151,627</u>

* Pass-Through Identification Number is not available or not applicable

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

Auditor's Comments

The audited financial statements of all funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2016.

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	GENERAL FUND			
	(Budget)* 2016-17	2015-16	2014-15	2013-14
Revenues and Other Financial Sources	\$ 38,948,906	\$ 42,127,251	\$ 36,959,286	\$ 34,093,896
Expenditures	36,915,850	36,843,606	33,752,912	31,349,624
Other Uses and Transfers Out	2,915,350	3,230,565	3,172,073	2,452,000
Total Outgo	39,831,200	40,074,171	36,924,985	33,801,624
Change in Fund Balance	(882,294)	2,053,080	34,301	292,272
Ending Fund Balance	\$ 11,238,919	\$ 12,121,213	\$ 10,068,133	\$ 10,033,832
Available Reserves	\$ 7,082,378	\$ 6,962,601	\$ 6,196,375	\$ 4,848,193
Reserve for Economic Uncertainties **	\$ 7,082,378	\$ 6,962,601	\$ 6,196,375	\$ 4,848,193
Available Reserves as a Percentage of Total Outgo	17.8%	17.4%	16.8%	14.3%
Average Daily Attendance at P-2 *** (Excludes ADA of Rincon Valley Charter School)	3,121	3,152	3,091	3,044
Total Long-Term Liabilities	\$ 74,516,064	\$ 76,983,417	\$ 73,283,398	\$ 61,922,941

* Amounts reported for the 2016-17 budget are presented for analytical purposes only and have not been audited.

** Reported balances are a component of available reserves.

*** Includes ADA of all charter schools reported as part of the General Fund.

The fund balance of the General Fund increased \$2,087,381 (20.8%) over the past two years. The fiscal year 2016-17 budget projects a decrease of \$882,294 (7.3%). For a district 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 produced operating surpluses in each of the past three fiscal years.

Average daily attendance (ADA) increased 108 ADA over the past two years. The District anticipates a decrease of 31 ADA during fiscal year 2016-17. (Excludes ADA of Rincon Valley Charter School)

Total long-term liabilities increased \$15,060,476 over the past two years due primarily to the \$18,000,000 issuance of general obligation bonds during fiscal year 2014-15.

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
MEASURE B PARCEL TAX
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Current Fiscal Year
<u>Revenues</u>	
Parcel Tax Proceeds, Net	\$ 1,087,945
<u>Expenditures</u>	
Salaries and Benefits	882,580
Supplies	187,841
Travel	17,524
Total Expenditures	1,087,945
Net Change in Fund Balance	0
Fund Balance - Beginning	0
Fund Balance - Ending	\$ 0

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

<u>Charter School</u>	<u>District Audit</u>
Binkley Charter School	Included
Spring Creek / Matanzas Charter School	Included
Village Charter School	Included
Whited Charter School	Included
Rincon Valley Charter School	Included

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Combining Statements

Combining statements are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements present more detailed information about the financial position and financial activities of the District's individual funds.

B. Schedule of Average Daily Attendance

The average daily attendance is a measurement of the number of pupils attending classes in the non-charter schools 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 in the non-charter schools of the District.

C. Schedule of Average Daily Attendance - Charter School

The average daily attendance is a measurement of the number of pupils attending classes. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of classroom-based and nonclassroom-based students at various grade levels at each of the District's charter schools.

D. Schedule of Instructional Time

The District participated in the Longer Day incentive funding program for the current fiscal year, but the District did not meet or exceed its LCFF target funding. This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

E. Schedule of Instructional Time - Charter School

Education Code Section 47612.5 requires classroom-based charter schools to offer a minimum number of minutes of instruction. This schedule presents information on the amount of instructional time offered by each of the District's charter schools and whether they complied with the provisions of Education Code Section 47612.5(a)(1).

F. Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

RINCON VALLEY UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

F. Schedule of Expenditures of Federal Awards (Concluded)

Basis of Presentation (Concluded)

Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position of the District.

Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rates

The District has elected to not use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

G. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the Annual Financial and Budget Report to the audited financial statements.

H. 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.

I. Schedule of Revenues, Expenditures, and Changes in Fund Balances - Measure B Parcel Tax

This schedule discloses the revenues, expenditures, and remaining fund balance of the District's Measure B parcel tax. In accordance with the ballot measure, proceeds from the parcel tax are used to enhance computer and technology education, increase library hours, expand classroom music, preserve band programs, create science labs, provide additional help to children who excel and those who struggle with math and reading.

J. Schedule of Charter Schools

This schedule lists all charter schools chartered by the District and identifies whether or not the charter schools were included or excluded from the audit of the District.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Rincon Valley Union School District
Santa Rosa, California

Report on State Compliance

We have audited Rincon Valley Union School District's compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's state programs identified on the following page for the fiscal year ended June 30, 2016.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-16 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about Rincon Valley Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Rincon Valley Union School District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
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
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Not Applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

We did not perform procedures for the independent study program because the average daily attendance claimed by the District does not exceed the threshold that requires testing.

Opinion on State Compliance

In our opinion, Rincon Valley Union School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2015-16 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2016

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

**INDEPENDENT AUDITOR'S 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 Trustees
Rincon Valley Union School District
Santa Rosa, 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 governmental activities, each major fund, and the aggregate remaining fund information of the Rincon Valley Union School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2016

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

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

Board of Trustees
Rincon Valley Union School District
Santa Rosa, California

Report on Compliance for Each Major Federal Program

We have audited the Rincon Valley Union School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Rincon Valley Union School District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Rincon Valley Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Rincon Valley Union School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Rincon Valley Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2016

FINDINGS AND QUESTIONED COSTS SECTION

RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported	
Noncompliance material to financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No	

Federal Awards

Internal control over major programs:

Material weaknesses identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported	

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes _____ No

Identification of major programs:

_____ CFDA Numbers	_____ Federal Program
93.778	Medicaid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes _____ No

State Awards

Any audit findings required to be reported in accordance with the *2015-16 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*? _____ Yes _____ No

Type of auditor's report issued on compliance for state programs: Unmodified

**RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no matters to report for the fiscal year ended June 30, 2016.

**RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2016.

**RINCON VALLEY UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2016.

**RINCON VALLEY UNION SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

There were no matters reported for the fiscal year ended June 30, 2015.