

**NICASIO ELEMENTARY SCHOOL DISTRICT  
COUNTY OF MARIN  
NICASIO, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2016**



**NICASIO ELEMENTARY SCHOOL DISTRICT**

**JUNE 30, 2016**

---

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Fund	16
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Change in Fund Balance - Governmental Fund	18
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Change in Fund Balance to the Statement of Activities	19
Notes to the Basic Financial Statements	20
<u>REQUIRED SUPPLEMENTARY INFORMATION SECTION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	47
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Deferred Maintenance Fund	48
Schedule of the Proportionate Share of the Net Pension Liability - CalSTRS	49
Schedule of the Proportionate Share of the Net Pension Liability - CalPERS	50
Schedule of Contributions - CalSTRS	51
Schedule of Contributions - CalPERS	52
Notes to Required Supplementary Information	53

NICASIO ELEMENTARY SCHOOL DISTRICT

JUNE 30, 2016

---

TABLE OF CONTENTS (CONCLUDED)

	<u>Page</u>
<u>SUPPLEMENTARY INFORMATION SECTION (CONCLUDED)</u>	
Organization/Board of Education/Administration	55
Schedule of Average Daily Attendance	56
Schedule of Instructional Time	57
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	58
Schedule of Financial Trends and Analysis	59
Notes to Supplementary Information	60
<u>OTHER INDEPENDENT AUDITOR'S REPORTS SECTION</u>	
Independent Auditor's Report on State Compliance	61
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 <i>Government Auditing Standards</i>	65
<u>FINDINGS AND QUESTIONED COSTS SECTION</u>	
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	67
Section II - Financial Statement Findings	68
Section III - State Award Findings and Questioned Costs	69
Schedule of Prior Year Recommendations	70

## FINANCIAL SECTION



# **STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Nicasio Elementary School District  
Nicasio, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Nicasio Elementary 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 and each major fund of Nicasio Elementary 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 management's discussion and analysis on pages 4 through 13, the budgetary comparison information on pages 47 and 48, the schedules of proportionate share of the net pension liability on pages 49 and 50, and the schedules of contributions on pages 51 and 52 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 Nicasio Elementary 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 supplementary information listed in the table of contents is 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016 on our consideration of Nicasio Elementary 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 Nicasio Elementary School District's internal control over financial reporting and compliance.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 9, 2016

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

(PREPARED BY DISTRICT MANAGEMENT)

---

This section of Nicasio Elementary 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 financial status declined during the course of the year as total net position decreased 24.9%.
- On the Statement of Activities, total current year expenses exceeded total current year revenues by \$260,664 due primarily to the write-off of \$228,847 of prior year costs related to the water system project that were previously capitalized as Work In Progress.
- Net capital assets decreased \$308,845 due to the write-off of \$228,847 of Work In Progress and the recognition of \$79,998 of depreciation expense.
- Total long-term liabilities decreased \$36,946 due to the current year redemption of a portion of the District's outstanding general obligation bonds.
- There was no change in the District's P-2 average daily attendance in fiscal year 2015-16.
- On the Statement of Revenues, Expenditures, and Change in Fund Balance, total current year expenditures exceeded total current year revenues by \$2,600.
- The District's General Fund incurred an operating deficit of \$48,820 due to the \$60,000 LCFF transfer that was made to the Deferred Maintenance Fund.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve of at least \$65,000. During fiscal year 2015-16, total General Fund expenditures totaled \$1,036,626. At June 30, 2016, the District had available reserves of \$369,227 which represents a reserve of 35.6%.

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

(PREPARED BY DISTRICT MANAGEMENT)

---

**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.

- 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.
  - ❖ Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements, when applicable.
  - ❖ Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements, when applicable.

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.

**NICASIO ELEMENTARY 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 as a Whole (Concluded)**

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

*Governmental Activities:*

The basic services provided by the District, such as regular education, are included here, and are primarily financed by property taxes and state formula aid. The District does not provide any significant non-basic services.

*Business-type Activities:*

The District does not provide any services that should be included in this category.

**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 may establish other funds as needed to control and manage money for specific purposes.

*Governmental Funds:*

The major governmental funds of Nicasio Elementary School District are the General Fund, Deferred Maintenance and the Bond Interest and Redemption 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. 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.

*Proprietary Funds:*

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore no reconciling entries are required. Internal service funds are reported with the Governmental Funds. The District has no funds of this type.

*Fiduciary Funds:*

All of the District's fiduciary activities are generally reported in separate fiduciary statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District has no funds of this type.

**NICASIO ELEMENTARY 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**

**GOVERNMENTAL ACTIVITIES**

The District's net position decreased from \$1,046,531 at June 30, 2015, down to \$785,867 at June 30, 2016, a decrease of 24.9%.

<b><u>Comparative Statement of Net Position</u></b>		
	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2016</u>
<u>Assets</u>		
Deposits and Investments	\$ 783,026	\$ 781,439
Receivables	69,014	20,746
Capital Assets, net	<u>3,097,627</u>	<u>2,788,782</u>
Total Assets	<u>3,949,667</u>	<u>3,590,967</u>
<u>Deferred Outflows of Resources</u>		
Pension Deferrals	<u>59,688</u>	<u>99,874</u>
<u>Liabilities</u>		
Current	330,347	291,564
Long-Term	<u>2,479,227</u>	<u>2,432,241</u>
Total Liabilities	<u>2,809,574</u>	<u>2,723,805</u>
<u>Deferred Inflows of Resources</u>		
Pension Deferrals	<u>153,250</u>	<u>181,169</u>
<u>Net Position</u>		
Net Investment in Capital Assets	1,112,627	933,782
Restricted	173,423	199,640
Unrestricted (Deficit)	<u>(239,519)</u>	<u>(347,555)</u>
Total Net Position	<u>\$ 1,046,531</u>	<u>\$ 785,867</u>
<i>Table includes financial data of the combined governmental funds</i>		

The unrestricted deficit balances, presented above, are because the District is required to record liabilities in the financial statements to reflect their proportionate share of the net pension liabilities related to their participation in the CalSTRS and CalPERS pension plans.

**NICASIO ELEMENTARY 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)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year expenses exceeded total current year revenues by \$260,664.

<b><u>Comparative Statement of Changes in Net Position</u></b>		
	Governmental Activities	
	2015	2016
<b><u>Program Revenues</u></b>		
Operating Grants & Contributions	\$ 132,358	\$ 143,729
<b><u>General Revenues</u></b>		
Taxes Levied	980,370	1,033,209
Federal & State Aid	85,350	85,547
Interest & Investment Earnings	1,185	1,482
Transfers	13,258	0
Miscellaneous	2,781	1,220
Total Revenues	1,215,302	1,265,187
<b><u>Expenses</u></b>		
Instruction	513,501	646,802
Instruction-Related Services	195,898	238,659
Pupil Services	38,665	56,004
General Administration	93,187	91,016
Plant Services	123,464	335,409
Ancillary Services	6,006	0
Interest on Long-Term Debt	89,347	81,030
Other Outgo	67,294	76,931
Total Expenses	1,127,362	1,525,851
Changes in Net Position	87,940	(260,664)
Net Position, Beginning	958,591	1,046,531
Net Position, Ending	<u>\$ 1,046,531</u>	<u>\$ 785,867</u>
<i>Table includes financial data of the combined governmental funds</i>		

**NICASIO ELEMENTARY 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)**

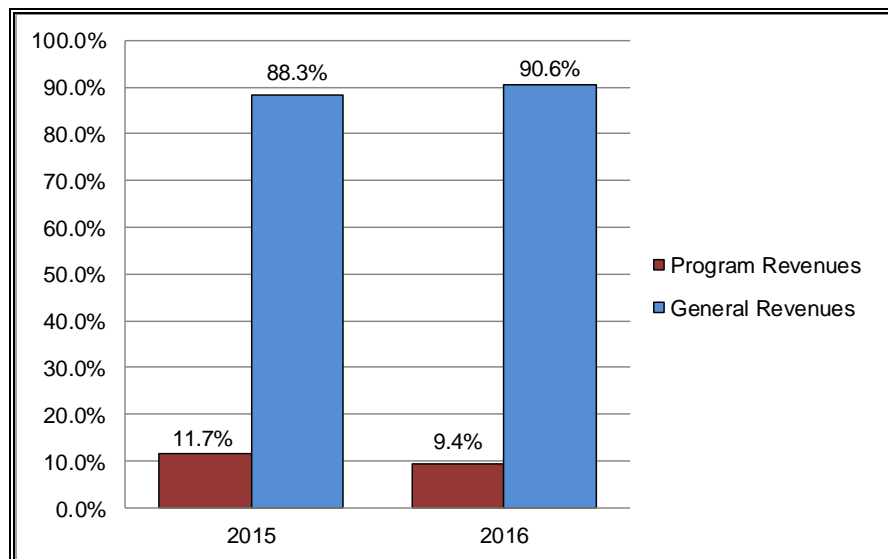
**GOVERNMENTAL ACTIVITIES (CONTINUED)**

**Comparative Schedule of Costs of Services**

	Total Cost of Services		Net Cost of Services	
	2015	2016	2015	2016
Instruction	\$ 513,501	\$ 646,802	\$ 437,582	\$ 533,090
Instruction-Related Services	195,898	238,659	181,840	232,573
Pupil Services	38,665	56,004	18,572	47,160
General Administration	93,187	91,016	93,063	88,417
Plant Services	123,464	335,409	114,708	335,409
Interest on Long-Term Debt	89,347	81,030	89,347	81,030
Other Outgo	67,294	76,931	55,042	64,443
Totals	<u>\$ 1,127,362</u>	<u>\$ 1,525,851</u>	<u>\$ 995,004</u>	<u>\$ 1,382,122</u>

*Table includes financial data of the combined governmental funds*

The table above 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 \$1,382,122 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



For fiscal year 2015-16, program revenues financed 9.4% of the total cost of providing the services listed above, while the remaining 90.6% was financed by the general revenues of the District.

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

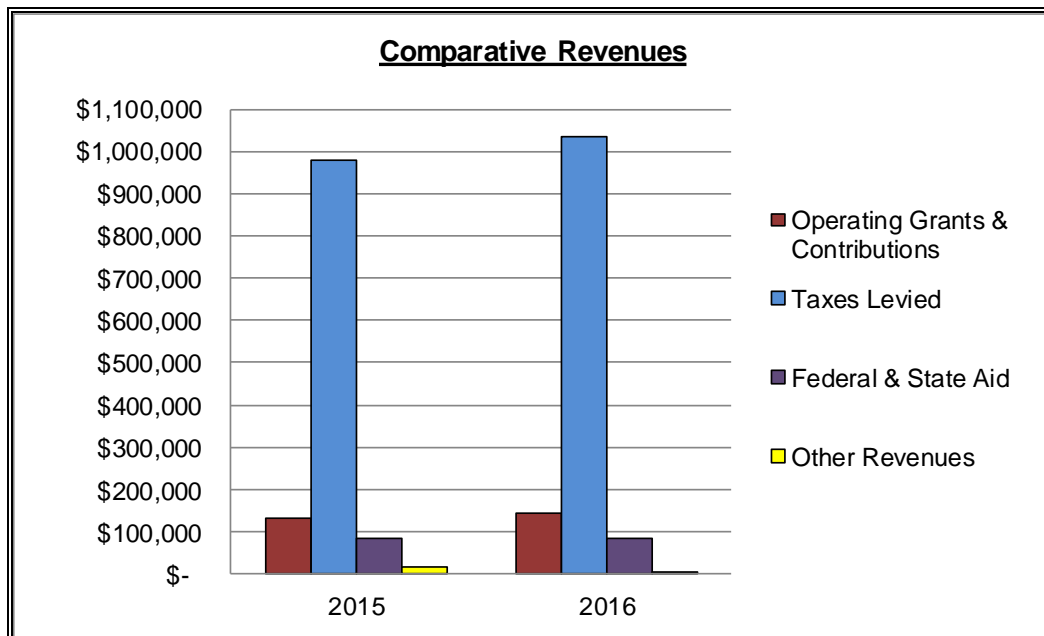
(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

**Summary of Revenues For Governmental Functions**

	FYE 2015 Amount	Percent of Total	FYE 2016 Amount	Percent of Total
<u>Program Revenues</u>				
Operating Grants & Contributions	\$ 132,358	10.89%	\$ 143,729	11.36%
<u>General Revenues</u>				
Taxes Levied	980,370	80.67%	1,033,209	81.66%
Federal & State Aid	85,350	7.02%	85,547	6.76%
Other Revenues	17,224	1.42%	2,702	0.21%
Total Revenues	<u>\$ 1,215,302</u>	<u>100.00%</u>	<u>\$ 1,265,187</u>	<u>100.00%</u>





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

(PREPARED BY DISTRICT MANAGEMENT)

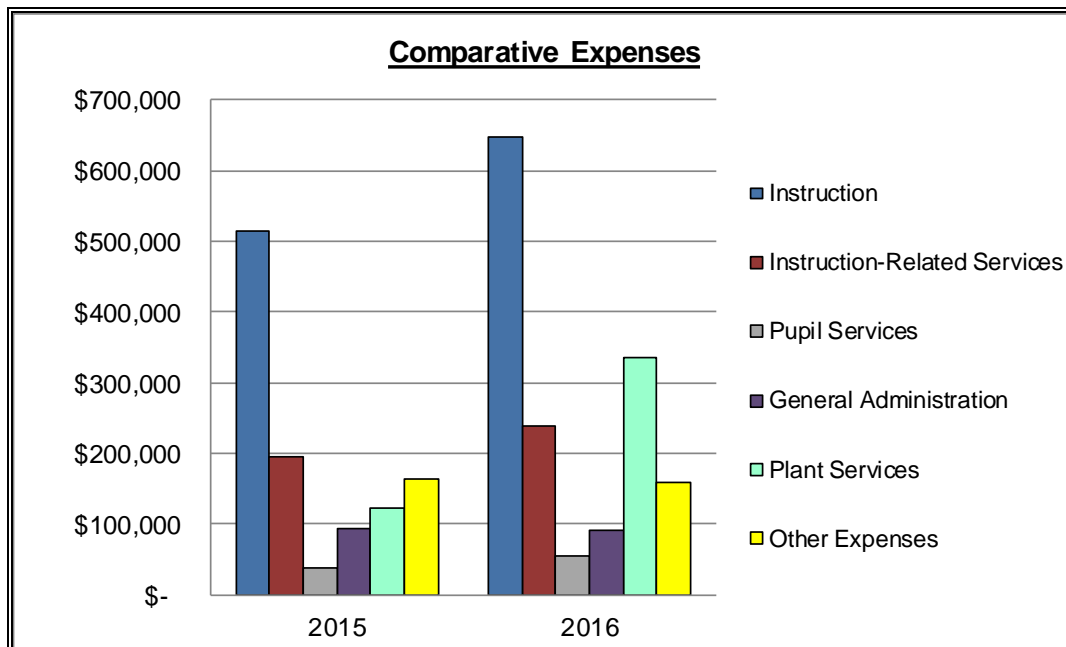
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

**Summary of Expenses For Governmental Functions**

	FYE 2015 Amount	Percent of Total	FYE 2016 Amount	Percent of Total
<u>Expenses</u>				
Instruction	\$ 513,501	45.55%	\$ 646,802	42.39%
Instruction-Related Services	195,898	17.38%	238,659	15.64%
Pupil Services	38,665	3.43%	56,004	3.67%
General Administration	93,187	8.27%	91,016	5.96%
Plant Services	123,464	10.95%	335,409	21.98%
Other Expenses	162,647	14.43%	157,961	10.35%
Total Expenses	<u>\$ 1,127,362</u>	<u>100.00%</u>	<u>\$ 1,525,851</u>	<u>100.00%</u>

The increase in plant services expenses is due to the write-off of \$228,847 of prior year costs, related to the water system project that were previously capitalized in Work-In-Progress.



**NICASIO ELEMENTARY 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)**

GOVERNMENTAL ACTIVITIES (CONCLUDED)

<b><u>Comparative Schedule of Capital Assets</u></b>		
	Governmental Activities	
	2015	2016
Land	\$ 53,889	\$ 53,889
Sites and Improvements	264,425	264,425
Buildings and Improvements	3,755,624	3,755,624
Furniture and Equipment	28,649	28,649
Work in Progress	228,847	0
Subtotals	4,331,434	4,102,587
Less: Accumulated Depreciation	(1,233,807)	(1,313,805)
Capital Assets, net	<u>\$ 3,097,627</u>	<u>\$ 2,788,782</u>

Net capital assets decreased \$308,845 due to the write-off of \$228,847 of Work In Progress and the recognition of \$79,998 of depreciation expense.

<b><u>Comparative Schedule of Long-Term Liabilities</u></b>		
	Governmental Activities	
	2015	2016
General Obligation Bonds	\$ 1,985,000	\$ 1,855,000
Early Retirement Incentives	43,912	37,876
Net Pension Liabilities	586,588	685,678
Totals	<u>\$ 2,615,500</u>	<u>\$ 2,578,554</u>

Total long-term liabilities decreased \$36,946 due to the current year redemption of a portion of the District's outstanding general obligation bonds.

The general obligation bonds represent 72% of the total long-term liabilities and are financed by local taxpayers. The remaining long-term liabilities, represent 28% of the total long-term liabilities, will be financed by the General 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.

**NICASIO ELEMENTARY 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**

<b><u>Comparative Schedule of Fund Balances</u></b>			
	<u>Fund Balances June 30, 2015</u>	<u>Fund Balances June 30, 2016</u>	<u>Increase (Decrease)</u>
General	\$ 493,957	\$ 445,137	\$ (48,820)
Deferred Maintenance	4,364	43,067	38,703
Bond Interest & Redemption	193,021	200,538	7,517
Totals	<u>\$ 691,342</u>	<u>\$ 688,742</u>	<u>\$ (2,600)</u>

The fund balance of the General Fund decreased \$48,820 during fiscal year 2015-16 due to the \$60,000 LCFF transfer that was made to the Deferred Maintenance 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.

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

Employer contribution rates for CalSTRS and CalPERS will continue to increase on an annual basis for the foreseeable future. In addition, the economy has finished its seventh year of expansion, lasting two years longer than the average recovery. The Governor and Department of Finance continue to urge the Legislation and local governments, including local education agencies, to plan for the next recession.

Accordingly, the District's budget 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.

**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 Interim Chief Financial Officer, Nicasio Elementary School District, 1111 Las Gallinas Avenue, San Rafael, CA 94913.

**NICASIO ELEMENTARY SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**JUNE 30, 2016**

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Deposits and Investments (Note 2)	\$ 781,439
Receivables (Note 3)	20,746
Capital Assets (Note 4)	
Land	53,889
Sites and Improvements	264,425
Buildings and Improvements	3,755,624
Furniture and Equipment	28,649
Less: Accumulated Depreciation	(1,313,805)
Total Assets	<u>3,590,967</u>
<b><u>Deferred Outflows of Resources</u></b>	
Pension Deferrals (Note 7)	<u>99,874</u>
<b><u>Liabilities</u></b>	
Accounts Payable and Other Current Liabilities	113,443
Accrued Interest Payable	31,808
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
General Obligation Bonds	140,000
Early Retirement Incentives	6,313
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 5)	1,715,000
Early Retirement Incentives (Note 6)	31,563
Net Pension Liabilities (Note 7)	685,678
Total Liabilities	<u>2,723,805</u>
<b><u>Deferred Inflows of Resources</u></b>	
Pension Deferrals (Note 7)	<u>181,169</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	933,782
Restricted:	
For Debt Service	168,730
For Educational Programs	29,910
For Other Purposes	1,000
Unrestricted (Deficit)	(347,555)
Total Net Position	<u><u>\$ 785,867</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**NICASIO ELEMENTARY 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	Governmental Activities
<b><u>Governmental Activities</u></b>					
Instruction	\$ 646,802		\$ 113,712		\$ (533,090)
Instruction-Related Services:					
Supervision of Instruction	1,711		94		(1,617)
School Site Administration	236,948		5,992		(230,956)
Pupil Services:					
Home-to-School Transportation	31,531		5,169		(26,362)
Other Pupil Services	24,473		3,675		(20,798)
General Administration:					
Other General Administration	91,016		2,599		(88,417)
Plant Services	335,409				(335,409)
Interest on Long-Term Debt	81,030				(81,030)
Other Outgo	76,931		12,488		(64,443)
Total Governmental Activities	<u>\$ 1,525,851</u>	<u>\$ 0</u>	<u>\$ 143,729</u>	<u>\$ 0</u>	<u>(1,382,122)</u>
<b><u>General Revenues</u></b>					
Taxes Levied for General Purposes					634,282
Taxes Levied for Debt Service					217,140
Taxes Levied for Specific Purposes					181,787
Federal and State Aid - Unrestricted					85,547
Interest and Investment Earnings					1,482
Miscellaneous					1,220
Total General Revenues					<u>1,121,458</u>
Change in Net Position					(260,664)
Net Position - July 1, 2015					<u>1,046,531</u>
Net Position - June 30, 2016					<u>\$ 785,867</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	<b>General</b>	<b>Deferred Maintenance</b>	<b>Bond Interest and Redemption</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>				
Deposits and Investments (Note 2)	\$ 534,202	\$ 46,699	\$ 200,538	\$ 781,439
Receivables (Note 3)	20,746			20,746
Total Assets	<u>\$ 554,948</u>	<u>\$ 46,699</u>	<u>\$ 200,538</u>	<u>\$ 802,185</u>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Accounts Payable	<u>\$ 109,811</u>	<u>\$ 3,632</u>		<u>\$ 113,443</u>
Fund Balances: (Note 9)				
Nonspendable	1,000			1,000
Restricted	29,910		\$ 200,538	230,448
Assigned	45,000	43,067		88,067
Unassigned	<u>369,227</u>			<u>369,227</u>
Total Fund Balances	<u>445,137</u>	<u>43,067</u>	<u>200,538</u>	<u>688,742</u>
Total Liabilities and Fund Balances	<u>\$ 554,948</u>	<u>\$ 46,699</u>	<u>\$ 200,538</u>	<u>\$ 802,185</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

---

<b>Total Fund Balances - Governmental Fund</b>	<b>\$ 688,742</b>
--	-------------------

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	\$ 4,102,587	
Accumulated Depreciation	(1,313,805)	
Net		2,788,782

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

Deferred outflows of resources relating to pensions	99,874
Deferred inflows of resources relating to pensions	(181,169)

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

General Obligation Bonds:	\$ 1,855,000	
Early Retirement Incentives	37,876	
Net Pension Liabilities	685,678	
Total		(2,578,554)

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

(31,808)

<b>Total Net Position - Governmental Activities</b>	<b>\$ <u>785,867</u></b>
---	--------------------------

**NICASIO ELEMENTARY 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>Deferred Maintenance</u>	<u>Bond Interest and Redemption</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>				
LCFF Sources:				
State Apportionment / Transfers		\$ 60,000		\$ 60,000
Local Taxes	\$ 623,959			623,959
Total LCFF Sources	623,959	60,000		683,959
Federal Revenue	17,819			17,819
State Revenue	73,716		\$ 436	74,152
Local Revenue	272,312	(24)	216,969	489,257
Total Revenues	987,806	59,976	217,405	1,265,187
<b><u>Expenditures</u></b>				
Current:				
Instruction	497,992			497,992
Supervision of Instruction	1,433			1,433
School Site Administration	219,215			219,215
Home-To-School Transportation	31,531			31,531
Other Pupil Services	24,473			24,473
Other General Administration	91,016			91,016
Plant Services	85,289	21,273		106,562
Other Outgo	76,181			76,181
Debt Service:				
Principal Retirement	6,036		130,000	136,036
Interest and Issuance Costs	3,460		79,888	83,348
Total Expenditures	1,036,626	21,273	209,888	1,267,787
Net Change in Fund Balances	(48,820)	38,703	7,517	(2,600)
Fund Balances - July 1, 2015	493,957	4,364	193,021	691,342
Fund Balances - June 30, 2016	\$ 445,137	\$ 43,067	\$ 200,538	\$ 688,742

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS



**NICASIO ELEMENTARY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

<b>Net Change in Fund Balance - Governmental Fund</b>	<b>\$</b>	<b>(2,600)</b>
---	-----------	----------------

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

Capital Outlay Expenditures	\$	0	
Depreciation Expense		(79,998)	
Net			(79,998)

Cost write-off for cancelled capital projects: If a planned capital project is cancelled and will not be complete, costs previously capitalized as Work In Progress must be written off to expense. Costs written off for cancelled projects were:		(228,847)
--	--	-----------

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:		136,036
--	--	---------

Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:		(86,823)
---	--	----------

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 statements, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from a prior period, was:		1,568
---	--	-------

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(260,664)</b>
--	-----------	------------------

---

**NICASIO ELEMENTARY 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 Nicasio Elementary 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 three member Board of Education elected by registered voters of the District, which comprises an area in Marin County. The District 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).

The financial reporting entity consists of the following:

- The primary government
- Organizations for which the primary government is financially accountable
- Other organizations for which the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, the organization should be included as a component unit.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity under GASB Statement No. 14 (GASB14) as amended by GASB Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*, and has determined that there are no organizations, with financial activities that benefit the District, which should be included within its financial reporting entity under these criteria.

The District has also reviewed criteria to determine whether other organizations, for which the District is not financially accountable, should be reported within its financial reporting entity, based on the nature and significance of its relationship with the District, under GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, and has determined that there are no organizations, for which the District is not financially accountable, which should be reported within its financial reporting entity.

**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. The effect of interfund activity, within the governmental activities column, is removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

**NICASIO ELEMENTARY 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 government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of 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 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.

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.

**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.

**NICASIO ELEMENTARY 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)**

**Revenues - Exchange and Non-exchange Transactions (Concluded):**

“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.

**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. 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.

**NICASIO ELEMENTARY 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)**

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.

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

*General Fund* is the general operating fund of the District. It is used to account for and report all financial resources not accounted for and reported in another fund.

*Deferred Maintenance Fund* is used for the purpose of major repair or replacement of District property.

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

**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 and Deferred Maintenance Fund on pages 47 and 48.

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.

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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. 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.

**NICASIO ELEMENTARY 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)**

**2. Capital Assets (Concluded)**

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	20-50
Furniture and Equipment	5-20

**3. 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.

**4. 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.

**5. Long-term Liabilities**

In the government-wide financial statements, long-term obligations are reported as liabilities in the Statement of Net Position. Premiums and discounts are deferred and amortized over the life of the obligation, when applicable. Liabilities are reported net of applicable premiums and discounts.

In the fund financial statements, governmental funds recognize premiums and discounts when the debt is issued. The face amount of the debt issued, premiums and discounts are reported as other financing sources or uses.

**NICASIO ELEMENTARY 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)**

**6. Fund Balances**

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 five classifications used in governmental fund financial statements are as follows:

*Nonspendable Fund Balance* includes amounts that are not expected to be converted to cash, such as inventory, prepaid items, and other resources that are not in a spendable form or are legally or contractually required to be maintained intact.

*Restricted Fund Balance* includes amounts constrained to specific purposes by their providers or by law.

*Committed Fund Balance* includes amounts constrained to specific purposes by the District's highest level of decision making authority (Governing Board). Formal action by resolution 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* includes amounts which the Governing Board or its designee intends to use for a specific purpose, but are neither restricted nor committed, should be reported as assigned fund balance. The Governing Board delegates the authority to assign amounts to be used for specific purposes to the Superintendent or his/her designee for the purpose of reporting these amounts in the annual financial statements.

*Unassigned Fund Balance* includes amounts that are available for any purpose. They are residual positive net resources of the general fund in excess of what can properly be classified in one of the other four categories. The District has adopted a policy to achieve and maintain an economic uncertainty reserve that is no less than the state recommended minimum reserve.

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.

**7. Local Control Funding Formula (LCFF /Property Tax)**

The formula for determining the level of funding per student is the "Local Control Funding Formula" (LCFF). District funding under the LCFF is generally provided by a mix of state aid and local property taxes.



**NICASIO ELEMENTARY 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)**

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

The County of Marin 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.

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.

Since the amount of property taxes received by the District exceeds the amount of the LCFF transition entitlement, the District is considered to be a "basic aid" school district, and is permitted to keep all of its property tax revenue. In addition, as guaranteed by the California Constitution, the State must apportion \$120 per pupil to the District. However, the categorical aid that the District receives counts toward this requirement.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**Summary of Deposits and Investments**

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

	<u>Governmental Activities</u>
Cash in Revolving Fund	\$ 1,000
County Pool Investments	<u>780,439</u>
Total Deposits and Investments	<u><u>\$ 781,439</u></u>

**Cash in Revolving Fund**

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

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**County Pool Investments**

County pool investments consists of District cash held by the Marin 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).

**General Authorization**

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations / 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.

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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	\$ 780,439	\$ 781,505	\$ 652,599	\$ 127,840

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	\$ 780,439	\$ 781,505			\$ 780,439

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 California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies.

California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)**

**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 Marin County Treasury was not available.

**NOTE 3 - RECEIVABLES**

Receivables in the General Fund at June 30, 2016 consist of the following:

Federal Government	\$ 8,533
State Government	5,732
Local Governments	6,035
Miscellaneous	446
Total	<u>\$ 20,746</u>

**NOTE 4 - CAPITAL ASSETS AND DEPRECIATION**

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

	Balances July 1, 2015	Additions	Deletions	Balances June 30, 2016
Land	\$ 53,889			\$ 53,889
Sites and Improvements	264,425			264,425
Buildings and Improvements	3,755,624			3,755,624
Furniture and Equipment	28,649			28,649
Work in Progress	228,847		\$ 228,847	0
Totals at Historical Cost	<u>4,331,434</u>	<u>\$ 0</u>	<u>228,847</u>	<u>4,102,587</u>
Less Accumulated Depreciation for:				
Sites and Improvements	231,608	3,910		235,518
Buildings and Improvements	978,039	75,639		1,053,678
Furniture and Equipment	24,160	449		24,609
Total Accumulated Depreciation	<u>1,233,807</u>	<u>79,998</u>	<u>0</u>	<u>1,313,805</u>
Governmental Activities Capital Assets, net	<u>\$ 3,097,627</u>	<u>\$ (79,998)</u>	<u>\$ 228,847</u>	<u>\$ 2,788,782</u>

Depreciation expense for governmental activities was charged to instruction.

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 5 - GENERAL OBLIGATION BONDS**

The District's outstanding general obligation bonded debt at June 30, 2016 is:

<u>Year of Issue</u>	<u>Interest Rate %</u>	<u>Date of Maturity</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2015</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2016</u>
2010	2.00-4.50	8/1/24	<u>\$ 2,440,000</u>	<u>\$ 1,985,000</u>	<u>\$ 0</u>	<u>\$ 130,000</u>	<u>\$ 1,855,000</u>

The annual requirements to amortize the general obligation bonds, as of June 30, 2016, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 140,000	\$ 74,387	\$ 214,387
2018	155,000	68,488	223,488
2019	170,000	61,988	231,988
2020	185,000	54,888	239,888
2021	205,000	47,087	252,087
2022-2026	<u>1,000,000</u>	<u>92,706</u>	<u>1,092,706</u>
Totals	<u>\$ 1,855,000</u>	<u>\$ 399,544</u>	<u>\$ 2,254,544</u>

**NOTE 6 - EARLY RETIREMENT INCENTIVES**

During fiscal year 2013-2014 the District adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District.

Future payments related to providing this early retirement incentive are as follows:

<u>Year Ended June 30</u>	<u>STRS Golden Handshakes</u>
2017	\$ 8,748
2018	8,342
2019	7,936
2020	7,530
2021	7,124
2022	<u>6,718</u>
Subtotal	46,398
Less Amount Representing Interest	<u>(8,522)</u>
Total	<u>\$ 37,876</u>

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 7 - 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	\$ 521,702	\$ 39,154	\$ 107,916
CalPERS	163,976	60,720	73,253
Totals	<u>\$ 685,678</u>	<u>\$ 99,874</u>	<u>\$ 181,169</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.

**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.

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**NOTE 7 - RETIREMENT PLANS (CONTINUED)**

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

**Benefits Provided (Concluded)**

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.

**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:

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**NOTE 7 - RETIREMENT PLANS (CONTINUED)**

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

**Contributions (Concluded)**

**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 \$39,154 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.

**Payable for Benefit Enhancement**

The District provides, at their cost, an additional two years of service credit to increase the amount of participating members' monthly retirement benefits. The cost to the District will be paid in installments not to exceed eight years, with interest charged on the unpaid balance at the actuarially assumed rate of return on investments for the Defined Benefit Program (currently at 7.5%). As of June 30, 2016, the outstanding balance of these payables to CalSTRS was \$37,876 (see Note 6).

**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:

District's proportionate share of the net pension liability	\$ 521,702
State's proportionate share of the net pension liability associated with the District	<u>11,049</u>
Total net pension liability attributed to District	<u><u>\$ 532,751</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.



**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 7 - 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)**

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	0.0008%
Proportion - June 30, 2015	<u>0.0008%</u>
Change - Increase (Decrease)	<u><u>0.0000%</u></u>

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$85,853, which includes \$29,339 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 39,154	
Differences between expected and actual experience		\$ 8,712
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		48,678
Net differences between projected and actual earnings on plan investments		<u>50,526</u>
Totals	<u><u>\$ 39,154</u></u>	<u><u>\$ 107,916</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:

<u>Year Ended June 30</u>	
2017	\$ (29,832)
2018	(29,832)
2019	(29,832)
2020	710
2021	(9,565)
2022	(9,565)

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**NOTE 7 - 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)**

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 <sup>1</sup>	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

<sup>1</sup> 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.

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.

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (CONTINUED)**

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

**Actuarial Methods and Assumptions (Concluded)**

Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

\* 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.

**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:

	<u>Discount Rate 1% Decrease 6.60%</u>	<u>Discount Rate Current Rate 7.60%</u>	<u>Discount Rate 1% Increase 8.60%</u>
District's proportionate share of the net pension liability	\$ 787,730	\$ 521,702	\$ 300,612

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**NOTE 7 - RETIREMENT PLANS (CONTINUED)**

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

**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. 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 \$11,543.

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 7 - 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**

As of June 30, 2016, the District reported a liability of \$163,976 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	0.0008%
Proportion - June 30, 2015	<u>0.0011%</u>
Change - Increase (Decrease)	<u><u>0.0003%</u></u>

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$81,006. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 11,543	
Differences between expected and actual experience	9,453	
Changes of assumptions		\$ 10,161
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	36,105	63,092
Net differences between projected and actual earnings on plan investments	<u>3,619</u>	
Totals	<u><u>\$ 60,720</u></u>	<u><u>\$ 73,253</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:

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 7 - 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)*

Year Ended June 30	
2017	\$ (20,785)
2018	(20,785)
2019	10,761
2020	6,733

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:

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.

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**NOTE 7 - RETIREMENT PLANS (CONTINUED)**

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

**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.

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.

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (CONTINUED)**

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

**Discount Rate (Concluded)**

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.

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
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	100%		

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

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

**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 one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	<u>Discount Rate 1% Decrease 6.50%</u>	<u>Discount Rate Current Rate 7.50%</u>	<u>Discount Rate 1% Increase 8.50%</u>
District's proportionate share of the net pension liability	\$ 266,885	\$ 163,976	\$ 78,401

**Pension Plan Fiduciary Net Position**

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



**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 7 - RETIREMENT PLANS (CONCLUDED)**

**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 8 - LONG-TERM LIABILITIES**

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

	Balances July 1, 2015	Additions	Deductions	Balances June 30, 2016	Due within One Year
General Obligation Bonds	\$ 1,985,000		\$ 130,000	\$ 1,855,000	\$ 140,000
Early Retirement Incentives	43,912		6,036	37,876	6,313
Net Pension Liabilities	586,588	\$ 99,090		685,678	
<b>Totals</b>	<b>\$ 2,615,500</b>	<b>\$ 99,090</b>	<b>\$ 136,036</b>	<b>\$ 2,578,554</b>	<b>\$ 146,313</b>

The general obligation bonds are generally financed by property tax collections in the Bond Interest and Redemption Fund. All other liabilities are obligations of the General Fund.

**NOTE 9 - FUND BALANCES**

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

	General Fund	Deferred Maintenance Fund	Bond Interest and Redemption Fund	Totals
<b>Nonspendable:</b>				
Revolving Cash	\$ 1,000			\$ 1,000
Total Nonspendable	1,000			1,000
<b>Restricted:</b>				
Categorical Programs	29,910			29,910
Debt Service			\$ 200,538	200,538
Total Restricted	29,910		200,538	230,448
<b>Assigned:</b>				
Special Education	45,000			45,000
Deferred Maintenance		\$ 43,067		43,067
Total Assigned	45,000	43,067	0	88,067
<b>Unassigned:</b>				
Economic Uncertainties	66,000			66,000
Remaining Unassigned Balances	303,227			303,227
Total Unassigned	369,227	0	0	369,227
<b>Total Fund Balances</b>	<b>\$ 445,137</b>	<b>\$ 43,067</b>	<b>\$ 200,538</b>	<b>\$ 688,742</b>

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**NOTE 10 - 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 State Teachers' Retirement System (CalSTRS) for K-12 education. These payments consist of state general fund contributions of \$29,339 to CalSTRS (7.12589% of salaries subject to CalSTRS).

**NOTE 11 - 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 12 - JOINT VENTURE**

The District participates in one joint venture under a joint powers agreement (JPA) with the Marin Schools Insurance Authority (MSIA) 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. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of their 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 the JPA's management.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

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

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required 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.

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**NOTE 14 - ECONOMIC DEPENDENCY**

During fiscal year 2015-16, the District received \$181,787 of parcel tax revenue that is subject to voter approval. The Measure A parcel tax expires on June 30, 2025.

**NOTE 15 - 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 9, 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.



## REQUIRED SUPPLEMENTARY INFORMATION SECTION



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

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b><u>Revenues</u></b>				
LCFF Sources:				
State Apportionment / Transfers	\$ (10,411)	\$ (10,323)		\$ 10,323
Local Sources	626,763	634,868	\$ 623,959	(10,909)
Total LCFF Sources	616,352	624,545	623,959	(586)
Federal Revenue	20,653	18,373	17,819	(554)
Other State Revenue	40,199	72,538	73,716	1,178
Other Local Revenue	262,404	284,808	272,312	(12,496)
Total Revenues	939,608	1,000,264	987,806	(12,458)
<b><u>Expenditures</u></b>				
Certificated Salaries	335,958	347,539	346,538	1,001
Classified Salaries	193,245	160,818	158,736	2,082
Employee Benefits	149,045	151,718	150,933	785
Books and Supplies	35,297	37,352	21,676	15,676
Services and Other				
Operating Expenditures	153,144	289,274	273,066	16,208
Debt Service:				
Principal Retirement	4,893	6,313	6,273	40
Interest and Fiscal Charges	3,225	3,225	3,223	2
Other Expenditures	88,600	81,181	76,181	5,000
Total Expenditures	963,407	1,077,420	1,036,626	40,794
Net Change in Fund Balances	(23,799)	(77,156)	(48,820)	\$ 28,336
Fund Balances - July 1, 2015	493,957	493,957	493,957	
Fund Balances - June 30, 2016	\$ 470,158	\$ 416,801	\$ 445,137	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - DEFERRED MAINTENANCE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b><u>Revenues</u></b>				
LCFF Sources:				
State Apportionment / Transfers	\$ 60,000	\$ 60,000	\$ 60,000	
Other Local Revenue	20	57	(24)	\$ (81)
Total Revenues	60,020	60,057	59,976	(81)
<b><u>Expenditures</u></b>				
Books and Supplies		972	1,009	(37)
Services and Other				
Operating Expenditures	10,075	27,799	20,264	7,535
Total Expenditures	10,075	28,771	21,273	7,498
Net Change in Fund Balances	49,945	31,286	38,703	\$ 7,417
Fund Balances - July 1, 2015	4,364	4,364	4,364	
Fund Balances - June 30, 2016	\$ 54,309	\$ 35,650	\$ 43,067	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION



**NICASIO ELEMENTARY 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	0.0008%	\$ 521,702	\$ 11,049	\$ 532,751	\$ 359,673	145.05%	74.02%
2015	0.0008%	496,128	11,746	507,874	378,145	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.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**NICASIO ELEMENTARY 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	0.0011%	\$ 163,976	\$ 123,159	133.14%	79.43%
2015	0.0008%	90,460	83,648	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.

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS - CALSTRS \***  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

<u>Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions In Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>District's Covered Employee Payroll</u>	<u>Contributions As a % of Covered Employee Payroll</u>
2016	\$ 39,154	\$ 39,154	\$ -	\$ 364,902	10.73%
2015	29,101	29,101	-	327,714	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.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS - CALPERS \***  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

<u>Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions In Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>District's Covered Employee Payroll</u>	<u>Contributions As a % of Covered Employee Payroll</u>
2016	\$ 11,543	\$ 11,543	\$ -	\$ 97,434	11.847%
2015	14,497	14,497	-	123,159	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.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**NICASIO ELEMENTARY 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. These schedules present the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object.

Excess of expenditures over appropriations as of June 30, 2016 was as follows:

	<u>Excess Expenditures</u>
Deferred Maintenance Fund:	
Books and Supplies	\$ 37

The District incurred unanticipated expenditures in excess of appropriations in the above expenditure classification for which the budget was not revised.

**B. 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.

**C. 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





**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

ORGANIZATION

The Nicasio Elementary School District was established in 1866 and comprises an area located in Marin County. There were no changes in the boundaries of the District during the current year. The District currently operates one elementary school.

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Jason Snell	President	November, 2017
Madeleine Sloane	Clerk	November, 2017
Michelle Rutledge	Trustee	November, 2019

ADMINISTRATION

Dr. Thomas Lohwasser  
Superintendent

Cheryl Robbins  
Chief Financial Officer

Margie Bonardi  
Interim Chief Financial Officer  
(Effective October 1, 2016)

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

	<b>P-2 Report</b>			
	<b><u>TK / K - 3</u></b>	<b><u>4 - 6</u></b>	<b><u>7 - 8</u></b>	<b><u>Total</u></b>
Regular ADA	<u>20.58</u>	<u>15.27</u>	<u>12.97</u>	<u>48.82</u>

	<b>Annual Report</b>			
	<b><u>TK / K - 3</u></b>	<b><u>4 - 6</u></b>	<b><u>7 - 8</u></b>	<b><u>Total</u></b>
Regular ADA	<u>20.84</u>	<u>15.63</u>	<u>12.90</u>	<u>49.37</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

**NICASIO ELEMENTARY 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	39,360	180	N/A	In Compliance
Grade 1	50,400	54,660	180	N/A	In Compliance
Grade 2	50,400	54,660	180	N/A	In Compliance
Grade 3	50,400	54,660	180	N/A	In Compliance
Grade 4	54,000	54,660	180	N/A	In Compliance
Grade 5	54,000	54,660	180	N/A	In Compliance
Grade 6	54,000	54,660	180	N/A	In Compliance
Grade 7	54,000	54,660	180	N/A	In Compliance
Grade 8	54,000	54,660	180	N/A	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION

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

---

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.

**NICASIO ELEMENTARY 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	\$ 1,010,549	\$ 987,806	\$ 979,559	\$ 920,822
Expenditures	1,004,411	1,036,626	966,220	995,279
Other Uses and Transfers Out	0	0	0	0
Total Outgo	1,004,411	1,036,626	966,220	995,279
Change in Fund Balance	6,138	(48,820)	13,339	(74,457)
Ending Fund Balance	\$ 451,275	\$ 445,137	\$ 493,957	\$ 480,618
Available Reserves	\$ 340,699	\$ 369,227	\$ 297,775	\$ 295,784
Reserve for Economic Uncertainties **	\$ 66,000	\$ 66,000	\$ 64,000	\$ 64,000
Available Reserves as a Percentage of Total Outgo	33.9%	35.6%	30.8%	29.7%
Total Long-Term Liabilities	\$ 2,432,241	\$ 2,578,554	\$ 2,615,500	\$ 2,877,135
Average Daily Attendance at P-2	45	49	50	49

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

\*\* Reported balances are a component of available reserves.

The fund balance of the General Fund decreased \$35,481 (7.4%) over the past two years. The fiscal year 2016-17 budget projects an increase of \$6,138. For a district this size, the state recommends minimum reserves of at least \$65,000.

The District incurred operating deficits of and \$48,820 and \$74,457 during fiscal years 2015-16 and 2013-14, respectively, and produced an operating surplus of \$13,339 during fiscal year 2014-15.

There was no change in average daily attendance (ADA) over the past two years. The District projects a decrease of 4 ADA during fiscal year 2016-17.

Total long-term liabilities decreased \$298,581 over the past two years due primarily to the payments on the outstanding general obligation bonds.

**NICASIO ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES**

**A. Schedule of Average Daily Attendance**

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

**B. Schedule of Instructional Time**

The District participated in the Longer Day incentive funding program for the current fiscal year, but did not meet or exceed its LCFF funding target. 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.

**C. 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.

**D. 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.

## OTHER INDEPENDENT AUDITOR'S REPORTS SECTION





# **STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

Board of Education  
Nicasio Elementary School District  
Nicasio, California

### **Report on State Compliance**

We have audited Nicasio Elementary 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 Nicasio Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Nicasio Elementary School District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine Nicasio Elementary 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	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Not Applicable
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	Not Applicable
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	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Opinion on State Compliance

In our opinion, Nicasio Elementary 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 9, 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 Education  
Nicasio Elementary School District  
Nicasio, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Nicasio Elementary 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 9, 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 9, 2016

## FINDINGS AND QUESTIONED COSTS SECTION





NICASIO ELEMENTARY 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?	<u>        </u> Yes	<u>    X    </u> No	
Significant deficiencies identified not considered to be material weaknesses?	<u>        </u> Yes	<u>    X    </u> None reported	
Noncompliance material to financial statements noted?	<u>        </u> Yes	<u>    X    </u> No	

**State Awards**

Any audit findings required to be reported in accordance with the <i>2015-16 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting</i> ?	<u>        </u> Yes	<u>    X    </u> No	
Type of auditor's report issued on compliance for state programs:	Unmodified		

**NICASIO ELEMENTARY 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.

**NICASIO ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

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

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

**NICASIO ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

There were no matters reported in the prior year audit.