

**SAN MARINO UNIFIED SCHOOL DISTRICT
LOS ANGELES COUNTY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2016**

SAN MARINO UNIFIED SCHOOL DISTRICT

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June 30, 2016

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Vicenti, Lloyd & Stutzman, CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Education
San Marino Unified School District
1665 West Drive
San Marino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Marino Unified School District (the 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 did not audit the financial statements of the discretely presented component unit, which statements reflect total assets of \$5.8 million and total revenues of \$3.9 million for the year ended June 30, 2016. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of other auditors. 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 of material misstatement.

An audit involves performing procedures to obtain 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.

INDEPENDENT AUDITOR'S REPORT

Board of Education
San Marino Unified School District
San Marino, California

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.

Opinion

In our opinion, the financial statements listed above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules and combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of

INDEPENDENT AUDITOR'S REPORT

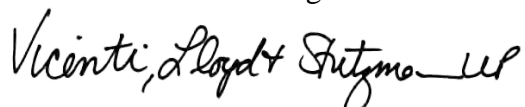
Board of Education
San Marino Unified School District
San Marino, California

federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the financial statements.

The supplementary section, including the schedule of expenditures of federal awards, and the combining non-major fund financial statements, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 2, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 2, 2016

SAN MARINO UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

INTRODUCTION

This discussion and analysis of San Marino Unified School District’s (the District) financial performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2016. This information is to be read in conjunction with the District’s financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

The District’s 2015–16 Budget was based on the final state budget for K–12 Education under the Local Control Funding Formula.

Certificated and classified employee salaries were adjusted for step and column, salary increases and longevity steps. The District continued to offer Anthem Blue Cross, Kaiser HMO medical insurance as well as dental, vision, life insurance to all eligible employees. The District has a health benefits savings fund whereby savings in any given year is reserved to offset future year premium increases. After application of any savings amounts, employees are responsible for 10% of premium costs for employee–only coverage, and 30% of premium costs for two–party and family coverage. Both the District and employees’ share of health benefit premium costs increased in 2015–16. The Health and Welfare Fund was collapsed into the General Fund as part of the audited financial statements in compliance with GASB Statement No. 54 requirements.

The average daily attendance (ADA) used for Local Control Funding Formula calculation purposes in 2015–16 totaled 3,045 ADA.

During the 2015–16 fiscal year, the District Budget and cash flow expenditures were closely monitored and expenditures were limited and/or withheld where possible, given the uncertainty of State finances. In compliance with GASB Statement No. 54, the District’s financial statements combine the Special Reserve Fund for Other Than Capital Outlay Projects (Cash Flow Fund) and the General Fund for reporting purposes.

The District reduced its outstanding long–term debt relating to general obligation bonds by \$2,134,572.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The first two statements are *District–wide financial statements* that provide both short–term and long–term information about the District’s overall financial status and which uses the full accrual method of accounting. The remaining statements are *fund financial statements* that focus on

SAN MARINO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

individual parts of the District, reporting the District's operations in more detail than the District-wide statements, based on the modified method of accounting.

The *governmental funds* statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or less financial resources to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information in the notes to the financial statements.

Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others and/or are assigned for restricted purposes, namely, the student body activities funds and other post-employment benefits trust. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

SAN MARINO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The Statement of Net Position is summarized below:

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>Variance</u>
Assets			
Cash	\$ 19,968,712	\$ 17,726,568	\$ (2,242,144)
Accounts receivable	1,284,615	732,554	(552,061)
Inventories	15,638	14,600	(1,038)
Other post-employment benefits asset	495,513	484,177	(11,336)
Capital assets, net	59,390,842	59,442,015	51,173
Total Assets	<u>81,155,320</u>	<u>78,399,914</u>	<u>(2,755,406)</u>
Deferred Outflows of Resources			
Deferred outflows of resources - pensions	3,063,937	6,465,438	3,401,501
Total Deferred Outflows of Resources	<u>3,063,937</u>	<u>6,465,438</u>	<u>3,401,501</u>
Liabilities			
Cash in county overdraft	223,544		(223,544)
Accounts payable and other current liabilities	3,138,367	6,068,824	2,930,457
Unearned revenue	290,199	248,231	(41,968)
Long term liabilities	67,526,720	70,109,329	2,582,609
Total Liabilities	<u>71,178,830</u>	<u>76,426,384</u>	<u>5,247,554</u>
Deferred Inflows of Resources			
Deferred inflows of resources - pension costs	6,887,212	3,218,765	(3,668,447)
Net Position			
Invested in capital assets, net of related debt	17,455,900	19,641,645	2,185,745
Restricted	5,820,588	7,342,780	1,522,192
Unrestricted	(17,123,273)	(21,764,222)	(4,640,949)
Total Net Position	<u>\$ 6,153,215</u>	<u>\$ 5,220,203</u>	<u>\$ (933,012)</u>

Net Position. The District's combined net position as of June 30, 2016 decreased by \$933,012 due to the GASB 68 pension liability disclosures.

SAN MARINO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

The Statement of Revenues, Expenses and Changes in Net Position is summarized below:

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>Variance</u>
Revenues			
Program revenues:			
Charges for services	\$ 1,754,647	\$ 1,667,687	\$ (86,960)
Operating grants and contributions	6,270,807	7,656,189	1,385,382
General revenues:			
Property taxes	20,899,058	22,233,521	1,334,463
Grants, subsidies and unrestricted contributions	10,572,887	13,066,093	2,493,206
Interest and investment earnings	121,669	113,030	(8,639)
Interagency revenues	397,139	154,856	(242,283)
Miscellaneous	4,309,696	3,202,869	(1,106,827)
Total revenues	<u>44,325,903</u>	<u>48,094,245</u>	<u>3,768,342</u>
Expenses			
Instruction	23,653,767	24,784,171	1,130,404
Instruction related services	3,423,853	3,801,628	377,775
Pupil services	3,761,428	4,387,658	626,230
Ancillary services	675,742	462,335	(213,407)
Community services	230,273	247,724	17,451
General administration	3,610,363	4,265,808	655,445
Plant services	4,859,007	4,530,756	(328,251)
Other outgo and debt service	2,454,545	2,349,005	(105,540)
Depreciation (unallocated)	3,722,026	4,198,172	476,146
Total expenses	<u>46,391,004</u>	<u>49,027,257</u>	<u>2,636,253</u>
Increase (Decrease) in Net Position	(2,065,101)	(933,012)	1,132,089
Net Position, Beginning of Year, as restated	<u>8,218,316</u>	<u>6,153,215</u>	<u>(2,065,101)</u>
Net Position, End of Year	<u>\$ 6,153,215</u>	<u>\$ 5,220,203</u>	<u>\$ (933,012)</u>

Changes in net position, governmental activities. Revenues increased by \$3,768,342 based on LCFF funding, discretionary one-time funding from the state, and other state categorical programs (i.e Educator Effectiveness Grant, etc.) Expenditures increased by \$2,636,253 based on increases in step and column adjustments, employer CalSTRS and CalPERS contributions, health benefit contributions, and other budget adjustments. The District's net position decreased by \$933,012 based on the planned spend-down of one-time carry-over balances.

SAN MARINO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

Governmental Activities

The sound financial condition of the District can be credited to the following management actions:

- Conservative District philosophy focused on long-term financial stability, and fiscal and cash flow management.
- Internal control procedures require budget allocation and approval prior to creation of new positions.
- Budget control through monthly budget adjustments, reconciliation of actual personnel costs to budgeted costs, detailed line-item budget, and frequent updates of multi-year budget projections based on the most recent information received from the State.
- Class sizes in all grade levels are monitored and adjusted as needed.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is primarily reflected in its General Fund. As the District completed this year, its General Fund ending balance was \$2,913,239.

The financial performance of the District's other funds are as follows:

Food Services Fund 13.0

The Food Services Fund ended the 2015-16 fiscal year with a balance of \$23,494. Of this amount, \$11,156 was assigned for food services operations.

Deferred Maintenance 14.0

The Deferred Maintenance Fund ended the 2015-16 fiscal year with a balance of \$793,399. The District is committed to maintaining its buildings and facilities in accordance to its promise to the community, with passage of its General Obligation Bonds in 1996 and 2000, respectively

Health Benefits Reserve Fund 17.0

The Fund ended the 2015-16 year with a balance of \$5,277. In 2015-16, the District received rebates from the Section 125 Program and, in accordance with its negotiated agreements with employee units, all realized rebates and savings are transferred to the Health Benefits Reserve Fund to offset future year premium increases.

Cash Flow Fund 17.2

The Cash Flow Fund ended the 2015-16 fiscal year with a balance of \$5,708,226. The fund is used to help the District in meeting its monthly payroll and expended obligations. Furthermore,

SAN MARINO UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

the fund balance represents less than the District’s State Aid and Education Protection Account funding or two to three months of expenditure obligations.

Capital Facilities 25.0

The fund ended the 2015–16 fiscal year with a balance of \$1,149,181 This amount is restricted for future year building needs associated with student growth.

Capital Improvement Fund 40.0

The fund ended the 2015–16 fiscal year with a balance of \$1,581,841. The funds are designated for San Marino High School needs. Revenues received for use of the Titan Field are transferred to this fund annually.

Bond Interest & Redemption Fund 51.0

The fund ended the 2015–16 fiscal year with a balance of \$4,179,285. The fund represents the pass-through of revenue sources and expended outflows associated with the District’s issuance of general obligation bonds in 1996 and 2000. These funds are not considered “District” funds and they cannot be used for any other purpose other than to pay bondholders.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Budget adjustments to revenues and expenditures for the year include:

- Additional contributions received from the San Marino Schools Foundation, and PTA/PTSA’s and parent donations for specific purposes
- Salary and benefit adjustments
- Assigned carry–over amounts
- Changes in federal, state and other local income
- Budget plans approved by school site councils

SAN MARINO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016 the District had increased its capital assets due to various technology, capital and deferred maintenance projects throughout the District.

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Land	\$ 380,500	\$ 380,500
Construction in Progress	694,353	1,028,889
Site Improvements	11,644,134	13,291,874
Buildings and Improvements	82,071,608	83,782,713
Furniture and Equipment	<u>4,824,394</u>	<u>5,380,358</u>
Total	99,614,989	103,864,334
Less Accumulated Depreciation	<u>(40,224,147)</u>	<u>(44,422,319)</u>
Capital Assets, Net	<u>\$ 59,390,842</u>	<u>\$ 59,442,015</u>

Long-Term Debt

At year-end, the District had approximately \$73.8 million in long-term debt, a decrease of nearly 9.3% from the prior year. This increase is due to the PARS Supplemental Early Retirement (SERP) and an increase in the Net Pension Liability per CalSTRSs and CalPERS.

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
General Obligation Bonds	\$41,934,942	\$39,800,370
Compensated Absences	415,094	329,923
PARS SERP		630,250
Net Pension Liability	<u>25,176,684</u>	<u>33,031,348</u>
Total Long-Term Debt	<u>\$ 67,526,720</u>	<u>\$ 73,791,891</u>

SAN MARINO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

PARCEL TAXES

The District has two parcel taxes or special assessments that help to support the high quality of education that its schools provide for all students. The District has had a parcel tax in place since 1991 and the community is supportive of continuing excellence in educational programs in San Marino Schools.

Measure R

On March 12, 2013, the District voters approved the renewal of Measure R, one of the District's two parcel tax. The assessment for the 2015–16 fiscal year was \$338.63 per parcel. It is adjusted annually by the Los Angeles Metropolitan Statistical Area Consumer Price Index for a six (6) year term for those parcels located within the boundaries of the San Marino Unified School District. The special assessment funds are used to retain and attract qualified teachers and counselors; maintain District-wide librarians; support academic programs in science and math; maintain reduced class sizes; support the maintenance of existing educational programs at current levels; prevent elimination of teaching specialists in the area of math and science; and, maintain adequate technology systems for all students by retaining technology service technicians.

Measure E

On March 10, 2015, the District voters approved renewal of Measure E, the second of the District's two parcel taxes. The assessment for the 2015–16 fiscal year was \$872.61 per parcel. *It is adjusted annually by the County of the Los Angeles Statistical Area Consumer Price Index or three percent, whichever is less.* The term of the parcel tax is six (6) years. Proceeds received from the parcel tax are used to preserve core academic curriculum, including English, math, social studies, history and science; to preserve teaching positions; to preserve smaller class sizes at all grade levels; to preserve visual and performing arts instruction, foreign language offerings, physical education and athletic programs; to maintain advanced placement and honors courses; to maintain classroom computer systems, technology and personnel; and, to maintain academic and college counseling positions.

For both parcel tax assessments, the District has a procedure in place for special exemptions for contiguous parcels and/or for seniors (age 65 or older). Exemption applications are available from the beginning of January through June 30th of each year.

In 2015–16, the District received \$5.4 million in parcel tax revenues. The parcel tax revenues are critical to the District's core instructional programs at all schools. Without the parcel tax revenues, the District would be forced to eliminate many of its core instructional programs and educational opportunities for its students and reduce or eliminate nearly 50 instructional and support positions.

SAN MARINO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

In accordance with the Board of Education's resolutions, the District publishes an annual Parcel Tax Accountability Report. This report can be found on the District's website. The report includes detailed financial information on the key positions which are funded based on the parcel tax revenues.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Local Control Funding Formula or LCFF, provides base grant funding, augmentation grants for grades TK–3, and 9–12, as well as targeted funding for transportation and unduplicated pupils (students who qualify for English language learning, free and reduced price meals, and foster youth). For the most part, LCFF benefits those school districts with high percentages of students in need. Additionally, the state has burdened local school districts with increased employer contributions for CalSTRS and CalPERS based on GASB 68 standards. The increased costs associated with these programs will consume nearly 40 percent of the District's LCFF funding. The District is fortunate to receive local support from the community with parcel tax revenues, San Marino Schools Foundation contributions, and other local donations. The District has maintained a 3% reserve for economic uncertainties.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Los Angeles County Office of Education, the California Department of Education, our parents, community members, investors, and creditors with a general overview of the District's finances and its management and reporting of the funds it receives.

For questions about this report or additional financial information, please contact Mrs. Julie Boucher, Assistant Superintendent, Business Services, San Marino Unified School District, 1665 West Drive; San Marino, California 91108, (626) 299–7000, ext. 1390, or email: jboucher626@smusd.us. General information about the District and its financial reports can be accessed at its website at: www.smusd.us.

FINANCIAL SECTION

SAN MARINO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental</u>	<u>San Marino</u>
	<u>Activities</u>	<u>Schools</u>
		<u>Foundation</u>
		<u>(Component Unit)</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 17,726,568	\$ 3,789,911
Accounts receivable	732,554	45,588
Inventories	14,600	
Beneficial interest in assets held by California Community Foundation		1,995,203
Other post-employment benefits asset	484,177	
Land	380,500	
Construction in progress	1,028,889	
Depreciable assets, net	58,032,626	
Total Assets	78,399,914	5,830,702
<u>Deferred Outflows of Resources</u>		
Deferred outflows of resources- pensions	6,465,438	
Total Deferred Outflows of Resources	6,465,438	-
<u>Liabilities</u>		
Accounts payable and other current liabilities	1,871,549	1,020,796
Accrued interest	514,713	
Unearned revenue	248,231	
Current portion of long-term liabilities	3,682,562	
Non-current portion of long term liabilities	70,109,329	
Total Liabilities	76,426,384	1,020,796
<u>Deferred Inflows of Resources</u>		
Deferred inflows - pensions	3,218,765	
<u>Net Position</u>		
Net investment in capital assets	19,641,645	
Permanently restricted		1,142,250
Temporarily restricted		2,176,719
Restricted for:		
Debt service	3,664,572	
Capital projects	2,626,420	
Educational programs	1,051,788	
Unrestricted	(21,764,222)	1,490,937
Total Net Position	\$ 5,220,203	\$ 4,809,906

See accompanying notes to the financial statements.

SAN MARINO UNIFIED 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	Total	San Marino Schools Foundation (Component Unit)
Governmental Activities					
Instruction	\$ 24,926,070	\$ 688,797	\$ 5,860,967	\$ (18,376,306)	\$
Instruction - related services	3,801,628	47,962	380,468	(3,373,198)	
Pupil services	4,387,658	923,940	802,703	(2,661,015)	
Ancillary services	462,335		508,439	46,104	
Community services	247,724		22,714	(225,010)	
General administration	4,265,808		64,284	(4,201,524)	
Plant services	4,530,756		4,433	(4,526,323)	
Other outgo	104,544	6,988	12,181	(85,375)	
Debt service - interest	2,102,562			(2,102,562)	
Depreciation (unallocated)	4,198,172			(4,198,172)	
Total Governmental Activities	<u>\$ 49,027,257</u>	<u>\$ 1,667,687</u>	<u>\$ 7,656,189</u>	<u>(39,703,381)</u>	<u>-</u>
Component Unit					
San Marino Schools Foundation	<u>\$ 2,752,515</u>	<u>\$ -</u>	<u>\$ 3,892,503</u>		<u>1,139,988</u>
General Revenues					
Property taxes levied for					
General purposes				12,419,052	
Debt service				4,415,679	
Other specific purposes				5,398,790	
Federal and state aid not restricted to specific purposes				13,066,093	
Interest and investment earnings				113,030	3,807
Interagency revenues				154,856	
Miscellaneous				3,202,869	
Total General Revenues				<u>38,770,369</u>	<u>3,807</u>
Change in net position				(933,012)	1,143,795
Net Position - Beginning of Year				<u>6,153,215</u>	<u>3,666,111</u>
Net Position - End of Year				<u>\$ 5,220,203</u>	<u>\$ 4,809,906</u>

See accompanying notes to the financial statements.

SAN MARINO UNIFIED SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	General Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash in county treasury	\$ 10,515,383	\$ 4,179,285	\$ 2,850,588	\$ 17,545,256
Cash in bank			80,700	80,700
Cash in revolving fund	100,000		612	100,612
Accounts receivable				
Federal and state governments	568,296		7,732	576,028
Miscellaneous	143,157		13,369	156,526
Inventories	2,916		11,684	14,600
Total Assets	<u>\$ 11,329,752</u>	<u>\$ 4,179,285</u>	<u>\$ 2,964,685</u>	<u>\$ 18,473,722</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 1,748,700	\$	\$ 122,849	\$ 1,871,549
Unearned revenue	160,911		87,320	248,231
Total Liabilities	<u>1,909,611</u>	<u>-</u>	<u>210,169</u>	<u>2,119,780</u>
 Fund Balances				
Nonspendable	102,916		12,296	115,212
Restricted	1,051,788	4,179,285	2,626,420	7,857,493
Assigned	6,932,747		115,800	7,048,547
Unassigned	1,332,690			1,332,690
Total Fund Balances	<u>9,420,141</u>	<u>4,179,285</u>	<u>2,754,516</u>	<u>16,353,942</u>
Total Liabilities and Fund Balances	<u>\$ 11,329,752</u>	<u>\$ 4,179,285</u>	<u>\$ 2,964,685</u>	<u>\$ 18,473,722</u>

See accompanying notes to the financial statements.

SAN MARINO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2016

Total fund balances - governmental funds \$ 16,353,942

Amounts reported for governmental funds are different than the statement of net position because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds (see note 7.) These assets consist of:

Land	\$ 380,500	
Construction in progress	1,028,889	
Depreciable assets, net	<u>58,032,626</u>	59,442,015

Other post-employment benefits asset represents the amount set aside in an irrevocable trust that is in excess of the amortized liability. This amount is not reported as assets in the governmental funds (see note 10.) Assets at year-end consist of: 484,177

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

Compensated absences (see note 8)	(329,923)	
Supplemental early retirement plan (see note 12)	(630,250)	
General obligation bonds (see note 9)	(39,800,370)	
Net pension liability (see note 11)	<u>(33,031,348)</u>	(73,791,891)

In governmental funds, deferred outflows and inflows of resources are not reported because they are applicable to future periods (see notes 1 and 11.) Deferred outflows and inflows of resources at year-end consist of:

Deferred outflows - pension contributions	2,767,884	
Deferred outflows - changes in proportion	3,697,554	
Deferred inflows - pensions	<u>(3,218,765)</u>	3,246,673

Interest expense related to general obligation bonds was incurred but not accrued through June 30, 2016 (see note 9.) (514,713)

Total net position - governmental activities \$ 5,220,203

See accompanying notes to the financial statements.

SAN MARINO UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016**

	General Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local control funding formula sources:				
State apportionments	\$ 10,843,239	\$	\$	\$ 10,843,239
Local sources	12,419,051			12,419,051
Total local control funding formula sources	23,262,290			23,262,290
Federal sources	827,178		68,568	895,746
Other state sources	3,855,049	16,863	2,491	3,874,403
Other local sources	13,384,249	4,419,252	3,276,927	21,080,428
Total Revenues	<u>41,328,766</u>	<u>4,436,115</u>	<u>3,347,986</u>	<u>49,112,867</u>
Expenditures				
Instruction	24,426,317			24,426,317
Instruction - related services	4,668,604			4,668,604
Pupil services	3,371,174		855,736	4,226,910
Ancillary services	481,356			481,356
Community services	240,282			240,282
General administration	4,094,995		12,632	4,107,627
Plant services	7,564,183		833,538	8,397,721
Other outgo	104,542			104,542
Debt service		4,318,844		4,318,844
Total Expenditures	<u>44,951,453</u>	<u>4,318,844</u>	<u>1,701,906</u>	<u>50,972,203</u>
Excess (deficiency) of revenues over expenditures	<u>(3,622,687)</u>	<u>117,271</u>	<u>1,646,080</u>	<u>(1,859,336)</u>
Other Financing Sources (Uses)				
Interfund transfers in			15,500	15,500
Interfund transfers out	(15,500)			(15,500)
Total Other Financing Sources (Uses)	<u>(15,500)</u>	<u>-</u>	<u>15,500</u>	<u>-</u>
Net changes in fund balance	(3,638,187)	117,271	1,661,580	(1,859,336)
Fund Balances at Beginning of Year	<u>13,058,328</u>	<u>4,062,014</u>	<u>1,092,936</u>	<u>18,213,278</u>
Fund Balances at End of Year	<u>\$ 9,420,141</u>	<u>\$ 4,179,285</u>	<u>\$ 2,754,516</u>	<u>\$ 16,353,942</u>

See accompanying notes to the financial statements.

SAN MARINO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016**

Net change in fund balances - total governmental funds \$ (1,859,336)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 4,249,346	
Depreciation expense	<u>(4,198,172)</u>	
Excess (deficiency) of capital outlay over depreciation expense		51,174

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General obligation bond principal payments	3,185,000
Supplemental early retirement plan	157,562

In governmental funds, pension costs are recognized when the employer contribution is made, but in the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual basis pension costs and actual employer contribution was: (784,717)

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

Net decrease in accrued interest	81,710	
Net increase in accreted interest	(1,050,428)	
Net increase in supplemental early retirement plan	(787,812)	
Net increase in compensated absences	85,171	
Net decrease in post-employment benefit asset	<u>(11,336)</u>	<u>(1,682,695)</u>

Change in net position of governmental activities \$ (933,012)

See accompanying notes to the financial statements.

SAN MARINO UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	Associated Student Body Funds
<u>Assets</u>	
Cash and cash equivalents	\$ 391,920
Accounts receivable	3,540
Total Assets	<u>\$ 395,460</u>
<u>Liabilities</u>	
Accounts payable	\$ 7,910
Funds held in trust	387,550
Total Liabilities	<u>\$ 395,460</u>

See accompanying notes to the financial statements.

SAN MARINO UNIFIED SCHOOL DISTRICT

**STATEMENT OF OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB)
NET POSITION
June 30, 2016**

	Retiree (OPEB) Trust
<u>Assets</u>	
Investments	\$ 654,524
Total Assets	\$ 654,524
Net Position Held in Trust for Other Post-employment Benefits	\$ 654,524

See accompanying notes to the financial statements.

SAN MARINO UNIFIED SCHOOL DISTRICT

**STATEMENT OF CHANGES IN OTHER POST-EMPLOYMENT BENEFITS PLAN
(OPEB) NET POSITION
For the Fiscal Year Ended June 30, 2016**

	Retiree (OPEB) Trust
<u>Additions</u>	
Investment income	\$
Total Additions	-
<u>Deductions</u>	
Operating expenses	4,834
Loss on investment	18,328
Total Deductions	23,162
Change in net position	(23,162)
Net Position Held in Trust for Other	
Post-employment Benefits, Beginning of Year	677,686
Net Position Held in Trust for Other	
Post-employment Benefits, End of Year	\$ 654,524

See accompanying notes to the financial statements.

SAN MARINO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*, updated to conform to the most current financial and reporting requirements promulgated by the California Department of Education. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The significant accounting policies applicable to the District are described below.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position, a Statement of Activities, and fund financial statements.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the District as a whole. These statements include the financial activities of the primary government, including governmental activities of proprietary funds. Fiduciary funds are excluded.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. 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. Depreciation and interest expense have not been allocated to specific functions.

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

Instruction: includes the activities directly dealing with the interaction between teachers and students.

Instruction-Related Services: includes supervision of instruction, instructional library, media and technology, and school site administration.

Pupil Services: includes home-to-school transportation, food services, and other pupil services.

Ancillary Services: includes activities that are generally designed to provide students with experiences outside the regular school day.

Community Services: includes activities that provide services to community participants other than students.

General Administration: includes data processing services and all other general administration services.

Plant Services: includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

Other Outgo: includes transfers to other agencies.

Debt Service: includes principal and interest payments for long term debt.

The fiduciary fund expenditures are presented by natural classification.

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations, and equities.

The Statement of Revenues, Expenditures and Changes in Fund Balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

Governmental Funds – Major

General Fund: used to account for all financial resources except those required to be accounted for in another fund. To comply with GASB reporting requirements, all activities of the Deferred Maintenance Fund and the Special Reserve Fund for Other Than Capital Outlay Projects are reported in the General Fund.

Bond Interest and Redemption Fund: used to account for the accumulation of resources for, and the payment of general obligation bond principal, interest and related costs.

Governmental Funds – Non-Major

Special Revenue Funds: used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Food Services Fund: used to account for revenues received and expenditures made to operate the District's food services operations.

Capital Projects Funds: used to account for the financial resources that are restricted, committed or assigned for the acquisition and/or construction of major governmental general fixed assets.

Capital Facilities Fund: used to account for resources received from residential and commercial developer impact fees.

Special Reserve Fund: used to account for specific capital expenditures.

SAN MARINO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiduciary Funds

Associated Student Body Fund: used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body. The District operates two Associated Student Body funds, one at the middle school and the other at the high school.

Retiree (OPEB) Trust Fund: used to accumulate irrevocable contributions for future retiree healthcare costs.

Agency Activities

The District operates a warrant pass-through fund as a holding account for amounts collected from employees for federal taxes, state taxes, and other contributions. The District had cash in the county treasury amounting to \$221,853 on June 30, 2016, which represents withholdings payable.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

The statements of other post-employment benefits(OPEB) plan net position and changes in other post-employment benefits plan net position of the Retiree (OPEB) Trust are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

SAN MARINO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. Cash in the county treasury is recorded at cost, which approximates fair value.

Receivables

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible. Per Education Code Section 33128.1, a local education agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

Investments

Investments in the other post-employment benefits(OPEB) plan are reported at fair value, which is determined by the most recent bid and asking price as obtained from dealers that make markets in such securities.

Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2016, the inventory for supplies is \$2,916. The inventory for food is \$11,684.

Capital Assets

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Statement of Net Position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined by GASB. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20-30 years
Furniture and Equipment	5-20 years
Vehicles	6 years

Depreciation expense reported on the government-wide statement of activities excludes direct depreciation expense recorded to functions where applicable.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position. The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans, the effect of changes in proportion and the difference between expected and actual experience. The deferred outflows or resources – pensions will be deferred and amortized as detailed in Note 11 to the financial statements.

Unearned Revenue

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

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave, therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken. However, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

SAN MARINO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Long-Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide financial statements.

Net Pension Liability

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources results from the difference between the estimated and actual return on pension plan investments, changes in assumptions and the difference between expected and actual experience. These amounts are deferred and amortized as detailed in Note 11 to the financial statements.

Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

Fund Balance Classification

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

SAN MARINO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Education. These amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

Assigned: Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The District Board of Education, through a formal action has given authority to the Superintendent or designee to assign amounts for a specific purpose that is neither restricted nor committed.

Unassigned: The residual fund balance for the General Fund and all other spendable amounts. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

Spending Order Policy

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted net position or fund balance is available.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Education has provided otherwise in its commitment or assignment functions.

Minimum Fund Balance Policy

The District has adopted a minimum fund balance policy in order to protect against revenue shortfalls and unexpected one-time expenditures. The District Board of Education recognizes that good fiscal management comprises the foundational support of the District. To make that support as effective as possible, the District Board of Education goal is to maintain a minimum balance of 5% of the District's general fund annual operating expenditures and transfers out. If

SAN MARINO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

the fund balance drops below 5%, the goal is to restore the balance at a rate of 1% per year as funding is made available.

State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. Second period to annual corrections for local control funding formula and other state apportionments (either positive or negative) are recorded in the year computed by the State.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable in two installments on November 1st and February 1st. Unsecured property taxes are payable in one installment on or before August 31st.

Real and personal property tax revenues are reported in the same manner in which the county auditor records and reports actual property tax receipts to the California Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the state for local control funding formula purposes. Property taxes for debt service purposes are not material and have, therefore, not been accrued in the Government-wide financial statements.

On-Behalf Payments

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all school districts in California. The amount of on-behalf payments made for the District has been recorded in the fund financial statements.

Contributed Services

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of immaterial equipment and supplies which are not recorded upon receipt.

SAN MARINO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

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

Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Education.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB.

The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

SAN MARINO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Based upon the application of the criteria listed above, the following potential component units have been included in the District's reporting entity:

The San Marino Schools Foundation (the Foundation): Although the Foundation is a legally separate 501(c)3 tax-exempt entity, it is reported in the financial statements using the discrete presentation method. The economic resources received or held by the Foundation are intended for the direct benefit of the District. The District Board of Education determines how the Foundation's annual contributions to the District are used. The Foundation also receives restricted donations and gifts for specific District or school purposes. During 2015-16, the Foundation contributed \$2,129,111 to the District to fund 32 teaching positions. Separate financial statements for the Foundation are available through the San Marino Schools Foundation's office.

California School Boards Association GASB 45 Solutions Program Trust (the Trust): The Trust is a multi-employer irrevocable governmental trust pursuant to Section 115 of the Internal Revenue Code for the purpose of funding certain post-employment benefits. The California School Boards Association, as the Trust Administrator, retains the responsibility to oversee the management of the Trust, including the Trust's requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53622, that specifies; 1) that investments made are solely in the interest of the participants, 2) the investments are made with care and 3) there is diversification of investments so as to minimize risk. US Bank manages the investment of funds through established investment approaches and the San Marino Unified School District has the ability to direct investment decisions within this framework as they deem necessary. As such, the District acts as a fiduciary of the Trust. The financial activity of the Trust has been included in the financial statements of the District. The Trust does not issue a separate financial report.

The following potential component units have been excluded from the District's reporting entity:

Various PTA/PTSA and School Connected Organizations: Each of these types of organizations within the District were evaluated using the three criterion listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the organizations individually are not material to the District's financial statements.

NOTE 2: BUDGETS

By state law, the District Board of Education must approve a budget no later than July 1, using the Single Adoption Budget process. In connection with the Local Control Funding Formula, school districts are required to engage parents, students and community members in developing a

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 2: BUDGETS

Local Control Accountability Plan (LCAP). The LCAP outlines a school district's goals as they relate to the eight state priorities, supporting actions and services, and how its budget will support its LCAP goals. Prior to a public hearing of a school district's budget, a separate public hearing of the school district's LCAP must be planned. The LCAP and Proposed District Budget are then approved at the same meeting of the District Board of Education.

These budgets are revised by the District Board of Education during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2016, \$276,197 of the District's bank balance of \$776,197 was exposed to credit risk as follows:

District's Bank Balance	June 30, 2016
Uninsured and uncollateralized	\$ 276,197
Total	<u>\$ 276,197</u>

Investments

Cash in County

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are carried at amortized cost which approximates fair value. Fair value of the pooled investment at June 30, 2016 is measured at 100.12% of amortized cost. The District's deposits in the fund are considered to be highly liquid.

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635 and 53648. The county is restricted to invest time deposits, U.S.

SAN MARINO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 3: DEPOSITS AND INVESTMENTS

government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statues and the County Board of Supervisors set forth the various investment policies that the Country Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the Los Angeles County Public Affairs Office, Kenneth Hahn Hall of Administration, 500 W. Temple St, Room 358, Los Angeles, CA 90012.

Mutual Funds Investment

Investments held by the California School Boards Association GASB 45 Solutions Program Trust (Trust) and managed by U.S. Bank are limited to those within the terms of the trust agreement, any applicable plan documents and in accordance with California Code Section 53620 through 53622. The Trust adhered to the provisions of the investment policy during the fiscal year ended June 30, 2016.

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At June 30, 2016, the Trust's investments were entirely in mutual funds with fair value of \$654,524 using Level 1 fair value measurement inputs.

Interest Rate Risk

Interest risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Trust has a formal investment policy that outlines specific strategies as a means of managing its exposure to fair value losses arising from increasing

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 3: DEPOSITS AND INVESTMENTS

interest rates. The District selected a discretionary investment approach whereby the District directs the Trustee to invest the assets of the Trust pursuant to a specified investment strategy. To manage risk, each targeted investment strategy is monitored to achieve target asset allocations and diversification.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Trust authorizes the use of a broad range of investment choices that have distinctly different risk and return characteristics, with the provision that all investments must continue to adhere to the underlying requirements of California Government Code Section 53622. As of June 30, 2016, the Trust's investments in mutual funds are unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The Trust places no limit on the amount that may be invested in any one issuer. The District is exposed to concentration of credit risk whenever investments in any one issuer exceed 5%. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2016 consists of the following:

	General Fund	Other Governmental Funds	Total Governmental Funds
Federal and state	\$ 568,296	\$ 7,732	\$ 576,028
Miscellaneous	143,157	13,369	156,526
Total accounts receivable	\$ 711,453	\$ 21,101	\$ 732,554

NOTE 5: INTERFUND TRANSACTIONS

Interfund activity has been eliminated in the Government-wide statements. The following balances and transactions are reported in the fund financial statements.

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 5: INTERFUND TRANSACTIONS

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2015-16 fiscal year are as follows:

Transfer from the General Fund to Capital Outlay Projects and Improvement Fund to fund future projects	\$ 15,500
Total	\$ 15,500

NOTE 6: FUND BALANCES

The following amounts were nonspendable, restricted, assigned or unassigned as shown below:

	General Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Cash in revolving fund	\$ 100,000	\$	\$ 612	\$ 100,612
Inventories	2,916	-	11,684	14,600
Total nonspendable	<u>102,916</u>	<u>-</u>	<u>12,296</u>	<u>115,212</u>
Restricted:				
Legally restricted programs	1,051,788	-	1,477,239	2,529,027
Capital projects	-	-	1,149,181	1,149,181
Debt service	-	4,179,285	-	4,179,285
Total restricted	<u>1,051,788</u>	<u>4,179,285</u>	<u>2,626,420</u>	<u>7,857,493</u>
Assigned:				
Health and welfare increases	5,277	-	-	5,277
Cash Flow	5,708,226	-	-	5,708,226
Capital Projects	-	-	104,644	104,644
Deferred Maintenance Projects	793,399	-	-	793,399
Food Service Operations	-	-	11,156	11,156
Assigned for Carryover - School sites	425,845	-	-	425,845
Total assigned	<u>6,932,747</u>	<u>-</u>	<u>115,800</u>	<u>7,048,547</u>
Unassigned:				
Economic uncertainties	1,332,690	-	-	1,332,690
Total unassigned	<u>1,332,690</u>	<u>-</u>	<u>-</u>	<u>1,332,690</u>
Total fund balance	<u>\$ 9,420,141</u>	<u>\$ 4,179,285</u>	<u>\$ 2,754,516</u>	<u>\$ 16,353,942</u>

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 7: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

Capital asset activity for the year ended June 30, 2016 is shown below.

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 380,500	\$	\$	\$ 380,500
Construction in progress	694,353	3,847,175	3,512,639	1,028,889
Total capital assets not being depreciated	<u>1,074,853</u>	<u>3,847,175</u>	<u>3,512,639</u>	<u>1,409,389</u>
Capital assets being depreciated:				
Site improvements	11,644,134	1,647,740		13,291,874
Buildings	82,071,608	1,711,105		83,782,713
Equipment	4,824,394	555,964		5,380,358
Total capital assets being depreciated	<u>98,540,136</u>	<u>3,914,809</u>	<u>-</u>	<u>102,454,945</u>
Less accumulated depreciation for:				
Site improvements	4,558,837	632,123		5,190,960
Buildings	33,337,690	2,897,973		36,235,663
Equipment	2,327,620	668,076		2,995,696
Total accumulated depreciation	<u>40,224,147</u>	<u>4,198,172</u>	<u>-</u>	<u>44,422,319</u>
Depreciable assets, net	<u>58,315,989</u>	<u>(283,363)</u>	<u>-</u>	<u>58,032,626</u>
Governmental activities capital assets, net	<u>\$ 59,390,842</u>	<u>\$ 3,563,812</u>	<u>\$ 3,512,639</u>	<u>\$ 59,442,015</u>

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 8: LONG-TERM DEBT – SCHEDULE OF CHANGES

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due in One Year
General obligation bonds					
Series 1998B	\$ 17,465,000	\$	\$ 1,315,000	\$ 16,150,000	\$ 1,440,000
Series 2000A	11,484,808		1,520,000	9,964,808	1,715,000
Accreted interest	10,085,134	1,050,428		11,135,562	
Series 2001 refunding	2,900,000		350,000	2,550,000	370,000
Total general obligation bonds	<u>41,934,942</u>	<u>1,050,428</u>	<u>3,185,000</u>	<u>39,800,370</u>	<u>3,525,000</u>
PARS supplementary early retirement plan		787,812	157,562	630,250	157,562
Compensated absences	415,094		85,171	329,923	
Net pension liability	<u>25,176,684</u>	<u>7,854,664</u>		<u>33,031,348</u>	
Total	<u>\$ 67,526,720</u>	<u>\$ 9,692,904</u>	<u>\$ 3,427,733</u>	<u>\$ 73,791,891</u>	<u>\$ 3,682,562</u>

Liabilities are liquidated by the General Fund for governmental activities. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.

NOTE 9: GENERAL OBLIGATION BONDS

On June 4, 1996, the voters approved the issuance of \$34,330,000 in bonds to finance the construction and renovation of school buildings and facilities and paying related costs. On August 20, 1996 the District issued Series A bonds in the amount of \$6,615,000. On June 16, 1998, the District issued Series B bond in the amount of \$27,715,000. These represent the second and final series of bonds sold based on the 1996 Election Authorization. Interest on the Series B bonds is payable semiannually on January 1 and July 1 of each year. The bonds bear an interest rate ranging from 3.95% to 5.25%.

On June 20, 2000, the voters approved the issuance of \$18,000,000 in bonds to complete the financing of construction, modernization and renovation of school buildings and facilities. On August 31, 2000, the District issued Series 2000A bonds in the amount of \$17,999,808. The bonds consist of current interest bonds of \$9,750,000 fully maturing on July 1, 2016 and capital appreciation bonds of \$8,249,808 due through July 1, 2025. Interest on the current interest bonds is payable semi-annually on January 1 and July 1 of each year. The bonds bear an interest rate ranging from 4.50% to 5.71%.

Capital appreciation bonds were issued as part of Series 2000A with maturity dates from July 1, 2017 through 2025. Prior to the applicable maturity date, each bond will accrue accreted interest

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 9: GENERAL OBLIGATION BONDS

on the principal components, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accrued interest accrued and included as an addition in the long-term debt schedule in 2015-16 is \$1,050,428 and the total accrued interest is \$11,135,562. The first payment is due July 1, 2017.

On April 12, 2001, the District refunded Series A bonds, the first series of bonds sold within the 1996 Election Authorization. The bonds consist of Serial Bonds in the amount of \$6,535,000. Interest due is payable semiannually on February 1 and August 1 of each year. The bonds bear an interest rate ranging from 3.00%-5.00%.

The District's bonds are not available for early redemption.

The outstanding general obligation bonded debt of the District at June 30, 2016 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2016
Measure A:					
1998 Series B	6/16/1998	Various	3.95%-5.25%	\$ 27,715,000	\$ 16,150,000
2000 Series A	8/31/2000	Various	4.5%-5.71%	17,999,808	9,964,808
2001 Refunding	4/12/2001	Various	3.00%-5.00%	6,535,000	2,550,000
				<u>\$ 52,249,808</u>	<u>\$ 28,664,808</u>

The annual debt service requirements to maturity for general obligation bonds are as follows:

1998 Series B

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,440,000	\$ 791,050	\$ 2,231,050
2018	1,565,000	712,169	2,277,169
2019	1,700,000	626,463	2,326,463
2020	1,840,000	533,538	2,373,538
2021	1,995,000	432,869	2,427,869
2022-2023	7,610,000	592,250	8,202,250
Total	<u>\$ 16,150,000</u>	<u>\$ 3,688,339</u>	<u>\$ 19,838,339</u>

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 9: GENERAL OBLIGATION BONDS

2000 Series A

Year Ending June 30,	Principal	Interest	Accreted Interest	Total
2017	\$ 1,715,000	\$ 47,163	\$	\$ 1,762,163
2018	730,148		1,089,852	1,820,000
2019	732,701		1,212,299	1,945,000
2020	731,517		1,338,483	2,070,000
2021	729,772		1,465,228	2,195,000
2022-2026	5,325,670		14,399,330	19,725,000
Total	<u>\$ 9,964,808</u>	<u>\$ 47,163</u>	<u>\$ 19,505,192</u>	<u>\$ 29,517,163</u>

2001 Refunding

Year Ending June 30,	Principal	Interest	Total
2017	\$ 370,000	\$ 118,250	\$ 488,250
2018	390,000	99,250	489,250
2019	415,000	79,125	494,125
2020	435,000	57,875	492,875
2021	455,000	35,625	490,625
2022	485,000	12,125	497,125
Total	<u>\$ 2,550,000</u>	<u>\$ 402,250</u>	<u>\$ 2,952,250</u>

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

Plan Description and Eligibility

The District administers a single-employer defined benefit healthcare plan (Retiree Benefits Plan). The plan provides health, dental, vision and life insurance benefits to certain employees, retirees and their spouses. Both certificated and classified employees who have completed 10 years of service are eligible to participate in the Retiree Benefits Plan by paying premiums similar to those charged for the District's active employees. For classified employees, coverage is limited to only those retirees under age 65 at the time of retirement and only until such time as the retiree reaches age 65. Participation is limited to classified employees who have held medical coverage during the 5 years immediately preceding their retirement.

Benefit provisions are established through negotiations between the District and the bargaining unions representing employees and are renegotiated each three-year bargaining period. The Retiree Benefits Plan does not issue a separate financial report.

Membership in the health benefit plan consisted of the following at July 1, 2014, the date of the latest actuarial valuation

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

Retirees and beneficiaries receiving benefits	9
Active plan members	<u>305</u>
Total	<u>314</u>

Funding Policy

The District’s funding policy is to contribute the Annual Required Contribution (ARC) to the California School Boards Association GASB 45 Solutions Program, a multiple–employer irrevocable trust (Trust). The District does not pay for the cost of the above benefits for retirees, with the exception of 9 retirees receiving medical, dental and vision premiums under early retirement incentives offered in 2009 and 2010. For fiscal year ended 2016, the District paid \$49,092 for retiree premium costs, including an implicit rate subsidy of \$40,779. No contributions were made to the Trust in 2015–16.

Annual OPEB Cost and Net OPEB Obligation

The District’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB asset:

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>Balance June 30, 2016</u>
Annual required contribution (ARC)	\$ 54,163
Interest on net OPEB obligation	(29,731)
Adjustment to ARC	<u>35,996</u>
Annual OPEB cost	60,428
Contributions made, including implicit rate subsidy	<u>(49,092)</u>
Change in net OPEB obligation	11,336
Net OPEB obligation - beginning of year	<u>(495,513)</u>
Net OPEB obligation - end of year	<u>\$ (484,177)</u>

The District’s annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB asset for fiscal year ended 2016 was as follows:

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

Year Ending June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
2014	\$ 50,268	108.20%	\$ 499,462
2015	60,478	93.50%	495,513
2016	60,428	81.24%	484,177

Funding Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 95.1% funded. The actuarial accrued liability for benefits was \$714,158 and the unfunded actuarial accrued liability (UAAL) was \$35,103. The covered payroll (annual payroll of active employees covered by the plan) was \$19,780,000, and the ratio of the UAAL to the covered payroll was .2%. The District makes discretionary contributions in the amount of the ARC to the California School Boards Association GASB 45 Solutions Program, a multiple-employer irrevocable trust. The fair market value of the trust at June 30, 2016 is \$654,524.

Actuarial valuations of an ongoing benefit plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of post-employment healthcare benefits funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 6.0 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after 3 years. Both rates included a 5.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar of projected payroll on an open basis.

NOTE 11: EMPLOYEE RETIREMENT PLANS

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

As of June 30, 2016, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans as follows:

	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
Pension Plan				
CalSTRS - STRP	\$ 22,890,160	\$ 3,668,603	\$ 2,248,420	\$ 2,085,216
CalPERS - Schools Pool Plan	10,141,188	2,796,835	970,345	1,457,856
Total	<u>\$ 33,031,348</u>	<u>\$ 6,465,438</u>	<u>\$ 3,218,765</u>	<u>\$ 3,543,072</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes to the STRP Defined Benefit Program, and the Defined Benefit Supplement Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

Provisions and Benefits	CalSTRS-STRP Defined Benefit Program and Supplement Program	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.391%	7.391%

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2016 are presented above and the total District contributions were \$1,795,909.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

	Balance June 30, 2016
Proportionate Share of Net Pension Liability	
District proportionate share of net pension liability	\$ 22,890,160
State's proportionate share of the net pension liability associated with the District	12,106,339
Total	\$ 34,996,499

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0340%.

For the year ended June 30, 2016, the District recognized pension expense of \$2,085,216 and revenue of \$937,772 for support provided by the state. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Deferred Outflows and Inflows of Resources		
Pension contributions subsequent to measurement date	\$ 1,795,909	\$
Difference in proportion	1,872,694	
Difference between expected and actual experience		382,500
Net differences between projected and actual earnings on plan investments		1,865,920
Total	\$ 3,668,603	\$ 2,248,420

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The net differences between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

STRP for the June 30, 2015 measurement date is 7 years. The first year of amortization is recognized in pension expense in the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 6 years.

The remaining amount will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2017	\$ (218,114)
2018	(218,114)
2019	(218,114)
2020	(218,114)
2021	248,366
2022	248,364
Total	<u>\$ (375,726)</u>

Actuarial Methods and Assumptions

Total pension liability for 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 methods and assumptions, applied to all prior periods included in the measurement:

<u>Actuarial Methods and Assumptions</u>	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.60%
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop an expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

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 the contributions from plan members and employers will be made at statutory contribution rates. 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 expense occurred midyear. Based on these 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.60%)	\$ 34,562,360
Current discount rate (7.60%)	22,890,160
1% increase (8.60%)	13,189,620

SAN MARINO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 11: EMPLOYEE RETIREMENT PLANS

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Provisions and Benefits	CalPERS-Schools Pool Plan	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	2% at 55	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	55	62
Retirement age		
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

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. Total plan contributions are determined through the 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. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016 are as presented above and the total District contributions were \$971,975.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$10,141,188. The net pension liability was measured as of June 30, 2015. The total pension liability for CalPERS 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 District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0688%.

For the year ended June 30, 2016, the District recognized pension expense of \$1,457,856. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 971,975	\$
Difference between expected and actual experience	579,584	
Changes of assumptions		623,103
Difference in proportion	1,245,276	
Net differences between projected and actual earnings on plan investments		347,242
Total	\$ 2,796,835	\$ 970,345

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The net differences between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Plan for the June 30, 2015 measurement date is 3.9 years. The first year of amortization is recognized in pension expense in the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 2.9 years.

The remaining amounts will be recognized in pension expense as follows:

Year Ending June 30,	Amortization
2017	\$ 249,995
2018	223,855
2019	(35,729)
2020	416,394
Total	\$ 854,515

Actuarial Methods and Assumptions

Total pension liability for the School Employer Pool 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

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

30, 2014 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.65%
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	19%	2.43%
Private equity	10%	6.95%
Real estate	12%	5.13%
Inflation assets	6%	3.36%
Liquidity	2%	-1.05%

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 16,505,628
Current discount rate (7.65%)	10,141,188
1% increase (8.65%)	4,848,731

Plan Fiduciary Net Position

Detailed information about CalPERS School Employer plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

NOTE 12: PARS SUPPLEMENTARY RETIREMENT PLAN

On February 22, 2016 the Board of Education adopted a resolution for the implementation of an early retirement incentive known as PARS Supplementary Retirement Plan for full-time certificated non-management employees. A total of 11 employees are participating. The District will pay benefits from 2016-2020 totaling \$787,812. Annual payments are \$157,256. The total remaining liability of \$630,250 has been reflected in these financial statements.

NOTE 13: PARCEL TAX

Measure E

On March 10, 2015, the District voters approved the renewal of Measure E. This Measure is a qualified special parcel tax levied by the District each year for six years with exemption for parcels owned and occupied by persons age 65 or older and contiguous parcels. The revenues

SAN MARINO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 13: PARCEL TAX

raised by the Measure are used to support outstanding classroom teachers and solid academic curriculum, maintain advanced placement and honors classes, arts and athletic programs, technology, and preserve smaller class sizes throughout the District. The current rate as of July 1, 2015 is \$872.61 per parcel.

Measure R

On March 12, 2013 the District voters approved the renewal of Measure R. The special assessment is adjusted annually by the Los Angeles Metropolitan Statistical Area Consumer Price Index for a six year term. The funds are used to “attract and retain high quality teachers and employees, and support educational programs that enhance student achievement.” The tax was collectible beginning July 1, 2013 with an exemption for eligible seniors and contiguous parcels. The current rate as of July 1, 2015 is \$338.63 per parcel.

NOTE 14: JOINT POWERS AGREEMENTS

The San Marino Unified School District participates in agreements with three joint powers authorities (JPA) entities. The West San Gabriel Valley Schools’ Liability and Property (WSGLP), the West San Gabriel Valley Schools’ Workers’ Compensation (WSGWC), and the California Schools Employee Benefits Association (CSEBA). The San Marino Unified School District pays an annual premium commensurate with the level of coverage requested.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the San Marino Unified School District beyond the District’s representations on the government boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The relationship between the San Marino Unified School District and the JPAs are such that none of the JPAs are a component unit of the District for financial reporting purposes. The District’s equity share and safety credit in the JPAs and the condensed most readily available financial information of the WSGLP, WSGWC, and CSEBA JPAs are shown below.

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

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 14: JOINT POWERS AGREEMENTS

JPA Condensed Financial Information	WSGLP	WSGWC	CSEBA
	Audited	Audited	Uudited
	June 30,2016	June 30, 2016	June 30, 2016
Total assets	\$ 14,989,958	\$ 17,885,770	\$ 41,752,309
Total liabilities	1,571,433	587,921	14,411,072
Fund balance	<u>\$ 13,418,525</u>	<u>\$ 17,297,849</u>	<u>\$ 27,341,237</u>
Total revenues	\$ 1,987,454	\$ 6,851,101	\$ 215,303,512
Total expenditures	<u>3,732,591</u>	<u>6,621,471</u>	<u>211,380,926</u>
Net increase (decrease) in net positions	<u>\$ (1,745,137)</u>	<u>\$ 229,630</u>	<u>\$ 3,922,586</u>

NOTE 15: COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

State and Federal Allowances, Awards, and Grants

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

NOTE 16: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2016, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

This statement was issued in June 2015 and extends the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions

SAN MARINO UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2016

**NOTE 16: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. The object is to provide information about financial support provided by certain non-employer entities for pensions that are provided to the employees of other entities and that are not within the scope of Statement No. 68 and to provide information about the effects of pension-related transactions and other events on the elements of the basic financial statements of state and local governmental employers. The statement is effective for the fiscal year 2015-16 except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the fiscal year 2016-17.

Statement No. 74 – Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans

This statement was issued in June 2015 and establishes standards of financial reporting for defined benefit OPEB plans and defined contribution OPEB plans. This statement is closely related in some areas to Statement No. 75. The statement is effective for the fiscal year 2016-17.

Statement No. 75 – Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions

This statement was issued in June 2015 and establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB. The statement also establishes requirements for reporting information about financial support provided by certain non-employer entities for OPEB that is provided to the employees of other entities. This statement is closely related in some areas to Statement No. 74. The statement is effective for the fiscal year 2017-18.

Statement No. 77 – Tax Abatement Disclosures

This statement was issued in August 2015 and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The statement is effective for the fiscal year 2016-17.

Statement No. 82 – Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73

This statement was issued in March 2016 and establishes guidance in order to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

**NOTE 16: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirement of this Statement are effective for the fiscal year 2016-17.

REQUIRED SUPPLEMENTARY INFORMATION

SAN MARINO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2016**

	Budgetary Amounts - General Fund		Actual Amounts	(a) Fund Basis to GAAP	Actual Amounts
	Original	Final	General Fund		GAAP Basis
Revenues					
Local control funding formula sources:					
State apportionments	\$ 12,487,875	\$ 11,065,391	\$ 10,843,239	\$	\$ 10,843,239
Local sources	<u>10,744,311</u>	<u>12,207,044</u>	<u>12,419,051</u>		<u>12,419,051</u>
Total local control funding formula sources:	23,232,186	23,272,435	23,262,290		23,262,290
Federal sources	831,203	823,468	827,178		827,178
Other state sources	2,559,212	2,768,933	3,855,049		3,855,049
Other local sources	<u>10,767,894</u>	<u>13,352,233</u>	<u>13,332,340</u>	<u>51,909</u>	<u>13,384,249</u>
Total Revenues	<u>37,390,495</u>	<u>40,217,069</u>	<u>41,276,857</u>	<u>51,909</u>	<u>41,328,766</u>
Expenditures					
Certificated salaries	16,744,294	17,438,195	17,393,087		17,393,087
Classified salaries	8,103,412	8,692,727	8,524,575		8,524,575
Employee benefits	7,594,565	8,876,227	8,876,226		8,876,226
Books and supplies	1,744,582	2,131,231	1,446,921		1,446,921
Services and other operating expenditures	3,633,303	5,265,410	5,265,409	35,386	5,300,795
Capital outlay	420,000	2,158,091	2,158,090	1,147,214	3,305,304
Tuition and other outgo	<u>90,500</u>	<u>293,545</u>	<u>104,545</u>		<u>104,545</u>
Total Expenditures	<u>38,330,656</u>	<u>44,855,426</u>	<u>43,768,853</u>	<u>1,182,600</u>	<u>44,951,453</u>
Excess (deficiency) of revenues over expenditures	<u>(940,161)</u>	<u>(4,638,357)</u>	<u>(2,491,996)</u>	<u>(1,130,691)</u>	<u>(3,622,687)</u>
Other Financing Sources (Uses)					
Interfund transfers in	971,542	1,876,542	1,876,542	173,500	2,050,042
Interfund transfers out	<u>(15,500)</u>	<u>(189,000)</u>	<u>(189,000)</u>	<u>(1,876,542)</u>	<u>(2,065,542)</u>
Total Other Financing Sources (Uses)	<u>956,042</u>	<u>1,687,542</u>	<u>1,687,542</u>	<u>(1,703,042)</u>	<u>(15,500)</u>
Net change in fund balances	<u>\$ 15,881</u>	<u>\$ (2,950,815)</u>	(804,454)	(2,833,733)	(3,638,187)
Fund Balance - Beginning of Year			<u>3,717,693</u>	<u>9,340,635</u>	<u>13,058,328</u>
Fund Balance - End of Year			<u>\$ 2,913,239</u>	<u>\$ 6,506,902</u>	<u>\$ 9,420,141</u>

(a) amounts presented are the result of the District including activity of the Deferred Maintenance Fund and the Special Reserve Fund. (See note 1)

See the accompanying notes to the required supplementary information.

SAN MARINO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF POST-EMPLOYMENT HEALTHCARE BENEFITS FUNDING
PROGRESS**

For the Fiscal Year Ended June 30, 2016

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Unit Credit Cost Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2010	\$ 171,342	\$ 720,798	\$ 549,456	23.8%	\$ 15,480,000	3.5%
7/1/2012	540,982	576,881	35,899	93.8%	17,560,000	0.2%
7/1/2014	679,055	714,158	35,103	95.1%	18,690,000	0.2%

The District established an irrevocable trust fund to prefund their post-employment healthcare liability in June 2009. At June 30, 2016, the fair market value of funds held in the trust was \$654,524.

See the accompanying notes to the required supplementary information.

SAN MARINO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS – POST-EMPLOYMENT
HEALTHCARE BENEFITS
For the Fiscal Year Ended June 30, 2016

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2014	\$ 44,002	123.6%
2015	54,163	104.4%
2016	54,163	90.6%

See the accompanying notes to the required supplementary information.

SAN MARINO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

For the Fiscal Year Ended June 30, 2016

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016
District's proportion of the net pension liability (assets)	0.0310%	0.0340%
District's proportionate share of the net pension liability (asset)	\$ 18,115,470	\$ 22,890,160
State's proportionate share of the net pension liability (asset) associated with the District	<u>10,939,013</u>	<u>12,106,339</u>
Total	<u>\$ 29,054,483</u>	<u>\$ 34,996,499</u>
District's covered-employee payroll	\$ 14,300,000	\$ 15,900,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	126.68%	143.96%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%
California Public Employees' Retirement System - Schools Pool Plan	2015	2016
District's proportion of the net pension liability (assets)	0.0622%	0.0688%
District's proportionate share of the net pension liability (asset)	<u>\$ 7,061,214</u>	<u>\$ 10,141,188</u>
District's covered-employee payroll	\$ 6,500,000	\$ 7,600,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	108.63%	133.44%
Plan fiduciary net position as a percentage of the total pension liability	83.37%	79.43%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

SAN MARINO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS – STRS AND PERS
For the Fiscal Year Ended June 30, 2016**

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016
Contractually required contribution	\$ 1,409,399	\$ 1,795,909
Contributions in relation to the contractually required contribution	<u>1,409,399</u>	<u>1,795,909</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$ 15,900,000	 \$ 16,700,000
Contributions as a percentage of covered-employee payroll	8.86%	10.73%
California Public Employees' Retirement System - Schools Pool Plan	2015	2016
Contractually required contribution	\$ 896,431	\$ 971,975
Contributions in relation to the contractually required contribution	<u>896,431</u>	<u>971,975</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$ 7,600,000	 \$ 8,200,000
Contributions as a percentage of covered-employee payroll	11.80%	11.847%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Budgetary Comparison For The General Fund

A budgetary comparison is presented for the general fund. This schedule presents the budget as originally adopted, the revised budget as of the fiscal yearend, actual amounts at fiscal yearend, and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

Schedule of Post-employment Healthcare Benefits Funding Progress

The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for post-employment benefits other than pensions.

Schedule of Employer Contributions – Post-employment Healthcare Benefits

This schedule is prepared to show information for the most recent actuarial valuation and, in future years, is intended to show trends about the percentage of the annual required contribution made to the plan.

Schedules of District's Proportionate Share of the Net Pension Liability – STRP and PERS

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedules of District Contributions – STRP and PERS

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no excesses of expenditures over appropriations in the General Fund.

SUPPLEMENTARY INFORMATION

SAN MARINO UNIFIED SCHOOL DISTRICT

HISTORY AND ORGANIZATION For the Fiscal Year Ended June 30, 2017

The San Marino Unified School District was established in 1917. The District's boundaries include the City of San Marino and unincorporated areas of San Gabriel and Pasadena. The District operates two elementary schools, one middle school, and one comprehensive high school.

The District Board of Education and the District Administrators for the fiscal year ended June 30, 2017 were as follows:

DISTRICT BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Ms. Nam Jack	President	December 2017
Mr. C. Joseph Chang	Vice President	December 2017
Ms. Shelley Ryan	Clerk	December 2017
Ms. Lisa Link	Member	December 2019
Mr. Chris Norgaard	Member	December 2019

DISTRICT ADMINISTRATORS

Dr. Alex Cherniss	Superintendent
Ms. Julie Boucher	Assistant Superintendent, Business Services
Ms. Linda de la Torre	Assistant Superintendent, Human Resources
Dr. Gary McGuigan	Assistant Superintendent, Curriculum and Instructional Services
Mr. Stephen Choi	Chief Technology Officer

SAN MARINO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2016**

	<u>Second Period</u>	<u>Annual</u>
Grades Transitional Kindergarten through third:		
Regular ADA	742	743
Extended year special education	2	2
Special education - nonpublic, nonsectarian schools	<u>1</u>	<u>1</u>
Total grades transitional kindergarten through third ADA	<u>745</u>	<u>746</u>
Grades four through six:		
Regular ADA	614	615
Extended year special education	2	2
Special education - nonpublic, nonsectarian schools	<u>1</u>	<u>1</u>
Total grades four through six ADA	<u>617</u>	<u>618</u>
Grades seven and eight:		
Regular ADA	508	508
Extended year special education	1	1
Special education - nonpublic, nonsectarian schools	<u>2</u>	<u>2</u>
Total grades seven and eight ADA	<u>511</u>	<u>511</u>
Grades nine through twelve:		
Regular ADA	1,165	1,164
Extended year special education	2	2
Special education - nonpublic, nonsectarian schools	<u>5</u>	<u>7</u>
Total grades nine through twelve ADA	<u>1,172</u>	<u>1,173</u>
Total ADA	<u><u>3,045</u></u>	<u><u>3,048</u></u>

See the accompanying notes to the supplementary information.

SAN MARINO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2016**

Grade Level	Minute Requirement	Actual Minutes	Number of Days	
			Traditional Calendar	Status
Kindergarten	36,000	52,265	182	In Compliance
Grade 1	50,400	52,265	182	In Compliance
Grade 2	50,400	52,265	182	In Compliance
Grade 3	50,400	52,265	182	In Compliance
Grade 4	54,000	55,605	182	In Compliance
Grade 5	54,000	55,605	182	In Compliance
Grade 6	54,000	62,380	182	In Compliance
Grade 7	54,000	62,380	182	In Compliance
Grade 8	54,000	62,380	182	In Compliance
Grade 9	64,800	65,902	182	In Compliance
Grade 10	64,800	65,902	182	In Compliance
Grade 11	64,800	65,902	182	In Compliance
Grade 12	64,800	65,902	182	In Compliance

See the accompanying notes to the supplementary information.

SAN MARINO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Agriculture			
Pass-Through Program From California Department of Education:			
National School Lunch Program	10.555	13396	\$ <u>68,568</u>
Total U.S. Department of Agriculture			<u>68,568</u>
 United States Department of Education			
Pass-Through California Department of Education:			
Special Education Cluster:			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	501,546
IDEA Preschool Local Entitlement	84.027A	13682	15,825
IDEA Federal Preschool Grants, Part B	84.173	13430	7,782
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	94
IDEA Mental Health Allocation Plan	84.027A	14468	<u>34,302</u>
Subtotal Special Education Cluster			<u>559,549</u>
No Child Left Behind:			
Title I Part A, Basic Grants Low-Income and Neglected	84.010	14329	159,399
Title II, Part A, Improving Teacher Quality	84.367	14341	62,319
Title III, Immigrant Education	84.365	15146	7,089
Title III, Limited English Proficient Student Program	84.365	10084	<u>38,822</u>
Total U.S. Department of Education			<u>267,629</u>
 Total Federal Expenditures			 <u>\$ 895,746</u>

The District is the recipient of a federal program that does not result in cash receipts or disbursements. The District was granted \$43,036 of commodities under the National School Lunch Program (CFDA 10.555).

See the accompanying notes to the supplementary information.

SAN MARINO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

	<u>2017 (Budgeted)</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total revenues	\$ 38,906,258	\$ 43,153,399	\$ 38,763,754	\$ 35,309,604
Total expenditures	39,099,588	43,957,853	43,028,120	38,060,921
Change in fund balance	(193,330)	(804,454)	(4,264,366)	(2,751,317)
Ending fund balance	<u>\$ 2,719,909</u>	<u>\$ 2,913,239</u>	<u>\$ 3,717,693</u>	<u>\$ 7,982,059</u>
Available reserve	<u>\$ 1,215,726</u>	<u>\$ 1,332,690</u>	<u>\$ 1,705,158</u>	<u>\$ 2,186,951</u>
Available reserve %	3%	3%	4.0%	5.7%
ADA	<u>3,035</u>	<u>3,045</u>	<u>3,064</u>	<u>3,062</u>
Total long term debt	<u>\$ 70,109,329</u>	<u>\$ 73,791,891</u>	<u>\$ 67,526,720</u>	<u>\$ 44,150,828</u>

Amounts above are those reported as General Fund in the State accounting software and does not include Deferred Maintenance or Special Reserve Fund Other Than Capital Outlay reported in the General Fund.

Available reserves are those amounts reserved for economic uncertainty and any other remaining unassigned fund balance from the General Fund.

The 2016-17 District Budget is the original budget adopted on June 28, 2016.

For a District this size, the state recommends 3% of total General Fund expenditures, transfers out and other uses. For the year ended June 30, 2016, the District has met this requirement.

See the accompanying notes to the supplementary information.

SAN MARINO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2016**

The District is not the granting agency for any Charter Schools.

See the accompanying notes to the supplementary information.

SAN MARINO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT
WITH THE AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

There were no differences between the fund balances reported on the June 30, 2016 Annual Financial and Budget Report for the governmental funds and the audited financial statements.

See the accompanying notes to the supplementary information.

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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.

Schedule of Instructional Time

The District has not met or exceeded its target funding and has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District did not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

SAN MARINO UNIFIED SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Financial Trends and Analysis

The *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

Schedule of Charter Schools

The *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

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 on the annual Financial and Budget Report form to the audited financial statements.

OPTIONAL SUPPLEMENTARY INFORMATION

SAN MARINO UNIFIED SCHOOL DISTRICT

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2016**

	Food Services	Capital Facilities	Special Reserve Fund - Capital	Total Non-Major
	Fund	Fund	Outlay	Governmental Funds
<u>Assets</u>				
Cash in county treasury	\$ 34,866	\$ 1,145,796	\$ 1,669,926	\$ 2,850,588
Cash in bank	80,700			80,700
Cash in revolving fund	612			612
Accounts receivable				
Federal and State governments	7,732			7,732
Miscellaneous	4,405	3,385	5,579	13,369
Inventories	11,684			11,684
Total Assets	\$ 139,999	\$ 1,149,181	\$ 1,675,505	\$ 2,964,685
 <u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 29,185	\$	\$ 93,664	\$ 122,849
Unearned revenue	87,320			87,320
Total Liabilities	116,505	-	93,664	210,169
 Fund Balances				
Nonspendable	12,296			12,296
Restricted	42	1,149,181	1,477,197	2,626,420
Assigned	11,156		104,644	115,800
Total Fund Balances	23,494	1,149,181	1,581,841	2,754,516
Total Liabilities and Fund Balances	\$ 139,999	\$ 1,149,181	\$ 1,675,505	\$ 2,964,685

SAN MARINO UNIFIED SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016**

	Food Services Fund	Capital Facilities Fund	Special Reserve Fund - Capital Outlay	Total Non-Major Governmental Funds
Revenues				
Federal sources	\$ 68,568	\$	\$	\$ 68,568
Other state sources	2,491			2,491
Other local sources	<u>781,198</u>	<u>241,687</u>	<u>2,254,042</u>	<u>3,276,927</u>
Total Revenues	<u>852,257</u>	<u>241,687</u>	<u>2,254,042</u>	<u>3,347,986</u>
Expenditures				
Pupil services	855,735			855,735
General administration		12,632		12,632
Plant services			<u>833,539</u>	<u>833,539</u>
Total Expenditures	<u>855,735</u>	<u>12,632</u>	<u>833,539</u>	<u>1,701,906</u>
Excess (deficiency) of revenues over expenditures	<u>(3,478)</u>	<u>229,055</u>	<u>1,420,503</u>	<u>1,646,080</u>
Other Financing Sources				
Interfund transfers in			<u>15,500</u>	<u>15,500</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>15,500</u>	<u>15,500</u>
Net changes in fund balance	(3,478)	229,055	1,436,003	1,661,580
Fund Balances at Beginning of Year	<u>26,972</u>	<u>920,126</u>	<u>145,838</u>	<u>1,092,936</u>
Fund Balances at End of Year	<u>\$ 23,494</u>	<u>\$ 1,149,181</u>	<u>\$ 1,581,841</u>	<u>\$ 2,754,516</u>

SAN MARINO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	San Marino High School	Huntington Middle School	Associated Student Body Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 346,828	\$ 45,092	\$ 391,920
Accounts receivable	3,540		3,540
Total Assets	\$ 350,368	\$ 45,092	\$ 395,460
 <u>Liabilities</u>			
Accounts payable	\$ 7,910	\$	\$ 7,910
Funds held in trust	342,458	45,092	387,550
Total Liabilities	\$ 350,368	\$ 45,092	\$ 395,460

SAN MARINO UNIFIED SCHOOL DISTRICT

**NOTES TO THE OPTIONAL SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

NOTE 1: PURPOSE OF SCHEDULES

Combining Fund Financial Statements

Combining fund balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements.

OTHER INDEPENDENT AUDITOR'S REPORT

**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**

District Board of Education
San Marino Unified School District
San Marino, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Marino Unified School District (the 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 2, 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 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.

**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***


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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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.


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 2, 2016

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

Board of Education
San Marino Unified School District
San Marino, California

Report on Compliance for Each Major Federal Program

We have audited San Marino Unified School District 's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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

Report on Internal Control Over Compliance


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

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

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

Purpose of this Report

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


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 2, 2016

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
San Marino Unified School District
San Marino, California

We have audited the San Marino Unified School District 's (the District) compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2016. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below . We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No ¹
Continuation Education	Not applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Not Applicable
Educator Effectiveness	Yes
California Clean Energy 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	Yes
Charter Schools:	
Attendance	No ²
Mode of Instruction	No ²
Nonclassroom Based Instruction/Independent Study	No ²
Determination of Funding for Nonclassroom Based Instruction	No ²
Annual Instructional Minutes – Classroom Based	No ²
Charter School Facility Grant Program	No ²

¹We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

²The District is not the granting agency for any Charter Schools.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2016.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



VICENTI, LLOYD & STUTZMAN LLP

Glendora, California

December 2, 2016

FINDINGS AND QUESTIONED COSTS

SAN MARINO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

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

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

Identification of Major Federal Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster

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

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

SAN MARINO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2016

All audit findings must be identified as one or more of the following categories:

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

There were no findings and questioned costs related to basic financial statements, federal awards, or state awards for the year ended June 30, 2016.

SAN MARINO UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2016

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the year ended June 30, 2015.