

**SAUSALITO MARIN CITY SCHOOL DISTRICT
COUNTY OF MARIN
SAUSALITO, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2015

SAUSALITO MARIN CITY SCHOOL DISTRICT

JUNE 30, 2015

TABLE OF CONTENTS

<u>FINANCIAL SECTION</u>	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	21
Statement of Net Position - Fiduciary Funds	22
Notes to the Basic Financial Statements	23
<u>SUPPLEMENTARY INFORMATION SECTION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	57
Combining Statements:	
Combining Balance Sheet - Non-Major Governmental Funds	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	60
Schedule of Funding Progress	62
Schedule of the Proportionate Share of the Net Pension Liability - CalSTRS	63
Schedule of the Proportionate Share of the Net Pension Liability - CalPERS	64

SAUSALITO MARIN CITY SCHOOL DISTRICT

JUNE 30, 2015

TABLE OF CONTENTS (CONCLUDED)

<u>SUPPLEMENTARY INFORMATION SECTION (CONCLUDED)</u>	<u>Page</u>
Schedule of Contributions - CalSTRS	65
Schedule of Contributions - CalPERS	66
Organization/Board of Trustees/Administration	67
Schedule of Average Daily Attendance	68
Schedule of Instructional Time	69
Schedule of Expenditures of Federal Awards	70
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	71
Schedule of Financial Trends and Analysis	72
Schedule of Charter Schools	73
Notes to Supplementary Information	74
<u>OTHER INDEPENDENT AUDITOR'S REPORTS SECTION</u>	
Independent Auditor's Report on State Compliance	77
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	81
<u>FINDINGS AND QUESTIONED COSTS SECTION</u>	
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	83
Section II - Financial Statement Findings	84
Section III - State Award Findings and Questioned Costs	85
Schedule of Prior Year Recommendations	93

FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sausalito Marin City School District
Sausalito, 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 Sausalito Marin City School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, budgetary comparison information on page 57, schedule of funding progress on page 62, schedules of the proportionate share of the net pension liability on pages 63 and 64, and schedules of contributions on pages 65 and 66 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 Sausalito Marin City School District's basic financial statements. The combining non-major fund financial statements and supplementary schedules and information listed in the table of contents, including the schedule of expenditures of federal awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements and supplementary schedules and information listed in the table of contents, including the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements and supplementary schedules and information listed in the table of contents, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

February 12, 2016

**SAUSALITO MARIN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

(PREPARED BY DISTRICT MANAGEMENT)

This section of Sausalito Marin City School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 16 and 17, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 18 through 21, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statement provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- Fiscal year 2014-15 was the first year the District was required to record a liability in the financial statements to reflect the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans. To present meaningful comparative information, the beginning balances related to the pension liabilities was restated, as described in Note 20.
- The District's overall financial status declined during fiscal year 2014-15, as total net position decreased 22.9%.
- On the Statement of Activities, total current year expenses exceeded total current year revenues by \$828,353. The decline was directly related to the current year recognition of \$972,772 of depreciation expense, which is a non-cash expense that reflects that the District's capital assets are now one year older and considered less valuable from an accounting standpoint.
- Capital assets, net of depreciation, decreased \$906,772 due to accumulated depreciation growing at a faster rate than acquisitions and construction.
- Total long-term liabilities increased \$454,849 due to the issuance of 2015 refunding general obligation bonds in the current year.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 5% of total general fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2014-15, General Fund expenditures and other financing uses totaled \$5,800,452. At June 30, 2015, the District has available reserves of \$1,717,073 in the General Fund, which represents a reserve of 29.6%.

**SAUSALITO MARIN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
 - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
 - ❖ Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.
 - ❖ Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

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

Reporting the District as a Whole

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

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

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

**SAUSALITO MARIN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

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

Governmental Activities:

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

Business-type Activities:

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

Reporting the District's Most Significant Funds

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

Governmental Funds:

The major governmental funds of Sausalito Marin City School District are the General Fund, the Bond Interest and Redemption Fund, and the Debt Service Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Proprietary Funds:

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

Fiduciary Funds:

The District is the trustee, or fiduciary, for its student activity fund and acts as a "cash conduit" for Willow Creek Academy. All of the District's fiduciary activities are reported in a separate fiduciary statement. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**SAUSALITO MARIN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's total net position decreased from \$3,623,415 at June 30, 2014, down to \$2,795,062 at June 30, 2015, a decrease of 22.9%.

<u>Comparative Statement of Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2015</u>
<u>Assets</u>		
Deposits and Investments	\$ 3,552,894	\$ 3,879,729
Current Receivables	455,410	244,081
Capital Assets, net	24,126,774	23,220,002
Total Assets	<u>28,135,078</u>	<u>27,343,812</u>
<u>Deferred Outflows of Resources</u>		
Pension Deferrals *	223,059	323,034
Bond Refunding	0	1,338,433
Total Deferred Outflows of Resources *	<u>223,059</u>	<u>1,661,467</u>
<u>Liabilities</u>		
Current	1,126,733	1,302,525
Long-term*	23,607,989	24,090,517
Total Liabilities *	<u>24,734,722</u>	<u>25,393,042</u>
<u>Deferred Inflows of Resources</u>		
Pension Deferrals *	0	817,175
<u>Net Position</u>		
Net Investment in Capital Assets	5,733,812	3,043,602
Restricted for Capital Projects	591	592
Restricted for Debt Service (Deficit)	(768,425)	1,227,848
Restricted for Educational Programs	161,992	142,399
Restricted for Other Purposes	24,804	1,778
Unrestricted (Deficit)*	<u>(1,529,359)</u>	<u>(1,621,157)</u>
Total Net Position *	<u>\$ 3,623,415</u>	<u>\$ 2,795,062</u>
<i>Table includes financial data of the combined governmental funds.</i>		
<i>* The amounts presented for 2013-14 have been adjusted to reflect the restatement discussed in described in Note 20 of these financial statements.</i>		

The unrestricted deficit balance, presented above, is a result of the implementation of GASB 68 which requires the District to record a liability in the financial statements to reflect the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

**SAUSALITO MARIN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year expenses exceeded total current year revenues by \$828,353.

<u>Comparative Statement of Change in Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2015</u>
<u>Program Revenues</u>		
Charges for Services	\$ 20,129	
Operating Grants & Contributions	1,410,084	\$ 1,317,684
<u>General Revenues</u>		
Taxes Levied	4,007,205	3,936,875
Federal & State Aid	1,080,234	1,124,989
Interest & Investment Earnings	24,201	20,166
Transfers from Other Agencies	17,633	0
Miscellaneous	199,171	250,360
Total Revenues	<u>6,758,657</u>	<u>6,650,074</u>
<u>Expenses</u>		
Instruction	3,246,783	3,506,278
Instruction-Related Services	724,339	624,844
Pupil Services	432,966	453,694
General Administration	653,876	645,455
Plant Services	681,359	718,793
Ancillary Services	8,930	478
Interest on Long-Term Debt	850,778	766,964
Other Outgo	613,529	761,921
Total Expenses	<u>7,212,560</u>	<u>7,478,427</u>
Change in Net Position	(453,903)	(828,353)
Net Position, Beginning *	<u>4,077,318</u>	<u>3,623,415</u>
Net Position, Ending *	<u>\$ 3,623,415</u>	<u>\$ 2,795,062</u>

Table includes financial data of the combined governmental funds

* The prior year amounts have been adjusted to reflect the restatement of Net Position discussed in Note 20 of these financial statements.

**SAUSALITO MARIN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**
(PREPARED BY DISTRICT MANAGEMENT)

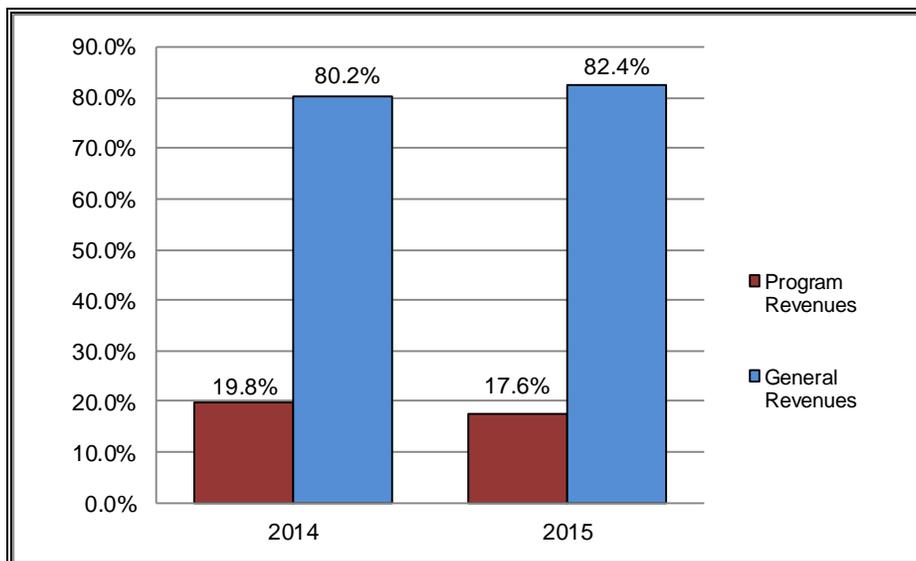
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Instruction	\$ 3,246,783	\$ 3,506,278	\$ 2,657,489	\$ 2,841,778
Instruction-Related Services	724,339	624,844	672,169	537,922
Pupil Services	432,966	453,694	164,146	188,065
General Administration	653,876	645,455	616,737	608,982
Plant Services	681,359	718,793	629,458	666,892
Ancillary Services	8,930	478	8,930	478
Interest on Long-Term Debt	850,778	766,964	850,778	766,964
Other Outgo	613,529	761,921	182,640	549,662
Totals	\$ 7,212,560	\$ 7,478,427	\$ 5,782,347	\$ 6,160,743

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$6,160,743 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



In 2014-15, program revenues financed 17.6% of the total cost of providing the services listed above, while the remaining 82.4% was financed by the general revenues of the District.

**SAUSALITO MARIN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

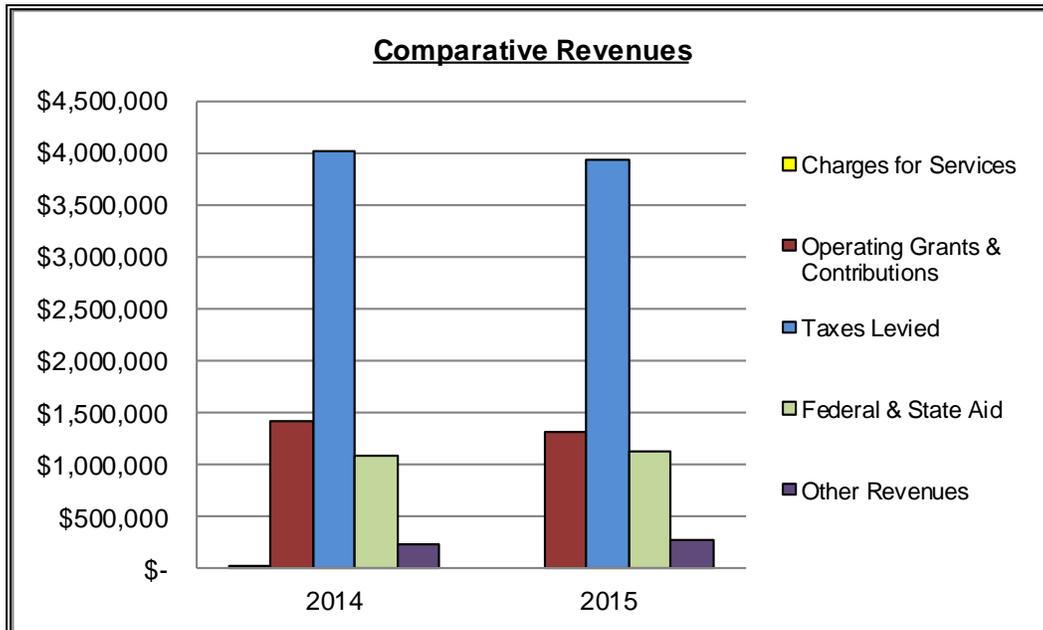
(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Schedule of Revenues For Governmental Functions</u>				
	<u>FYE 2014 Amount</u>	<u>Percent of Total</u>	<u>FYE 2015 Amount</u>	<u>Percent of Total</u>
<u>Program Revenues</u>				
Charges for Services	\$ 20,129	0.30%		
Operating Grants & Contributions	1,410,084	20.86%	\$ 1,317,684	19.81%
<u>General Revenues</u>				
Taxes Levied	4,007,205	59.29%	3,936,875	59.20%
Federal & State Aid	1,080,234	15.98%	1,124,989	16.92%
Other Revenues	241,005	3.57%	270,526	4.07%
Total Revenues	\$ 6,758,657	100.00%	\$ 6,650,074	100.00%

Table includes financial data of the combined governmental funds



**SAUSALITO MARIN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

(PREPARED BY DISTRICT MANAGEMENT)

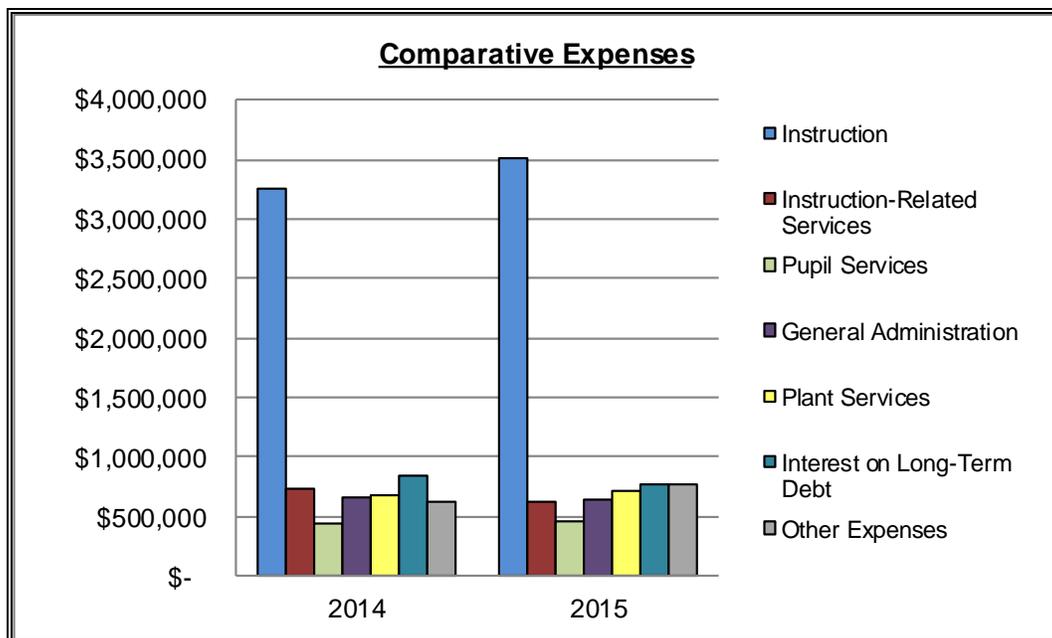
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Schedule of Expenses For Governmental Functions

<u>Expenses</u>	FYE 2014 Amount	Percent of Total	FYE 2015 Amount	Percent of Total
Instruction	\$ 3,246,783	45.02%	\$ 3,506,278	46.89%
Instruction-Related Services	724,339	10.04%	624,844	8.36%
Pupil Services	432,966	6.00%	453,694	6.07%
General Administration	653,876	9.07%	645,455	8.63%
Plant Services	681,359	9.45%	718,793	9.61%
Interest on Long-Term Debt	850,778	11.80%	766,964	10.26%
Other Expenses	622,459	8.63%	762,399	10.19%
Total Expenses	\$ 7,212,560	100.00%	\$ 7,478,427	100.00%

Table includes financial data of the combined governmental funds



**SAUSALITO MARIN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Comparative Schedule of Capital Assets</u>		
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2015</u>
Land	\$ 948,870	\$ 948,870
Sites and Improvements	2,485,365	2,519,365
Buildings and Improvements	27,201,585	27,213,070
Furniture and Equipment	598,572	619,190
Subtotals	31,234,392	31,300,495
Less: Accumulated Depreciation	(7,107,618)	(8,080,493)
Capital Assets, net	<u>\$ 24,126,774</u>	<u>\$ 23,220,002</u>

Capital assets, net of depreciation, decreased \$906,772 due to accumulated depreciation growing at a faster rate than acquisitions and construction.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2015</u>
Compensated Absences	\$ 14,920	\$ 46,967
General Obligation Bonds	15,602,580	16,510,000
Bond Premium	0	406,195
Certificates of Participation	3,675,000	3,580,000
Capital Leases	1,038,306	1,018,907
Early Retirement Incentives	16,884	0
Other Post Employment Benefits	12,801	33,198
Net Pension Liability - CalSTRS *	2,643,169	2,162,169
Net Pension Liability - CalPERS *	1,127,655	828,728
Totals *	<u>\$ 24,131,315</u>	<u>\$ 24,586,164</u>

* The amounts presented for fiscal year 2013-14 have been adjusted to reflect the restatement discussed in Note 20 of these financial statements.

Total long-term liabilities increased \$454,849 due to the issuance of refunding general obligation bonds in the current year. The general obligation bonds are financed by the local taxpayers and represent 67% of the District's total long-term liabilities. The remaining long-term liabilities are primarily financed by the General Fund.

**SAUSALITO MARIN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

<u>Comparative Schedule of Fund Balances</u>			
	Fund Balances June 30, 2014	Fund Balances June 30, 2015	Increase (Decrease)
General	\$ 2,003,724	\$ 1,860,472	\$ (143,252)
Bond Interest and Redemption	632,024	671,041	39,017
Debt Service	725,062	794,882	69,820
Deferred Maintenance	75,158	90,950	15,792
Cafeteria	23,804	778	(23,026)
Corporation Debt Service	22	32	10
Building	246	247	1
County School Facilities	591	592	1
Capital Projects - Special Reserve	147,121	136,023	(11,098)
Corporation Acquisition	22	22	0
Totals	<u>\$ 3,607,774</u>	<u>\$ 3,555,039</u>	<u>\$ (52,735)</u>

The fund balance of the General Fund decreased \$143,252, while the combined fund balances of all other District governmental funds increased \$90,517.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim to reflect the most current financial information available at that point in time. The original and final budget for fiscal year 2014-15 is presented alongside the actual results on page 57.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

On November 4, 2014, the voters of the State of California elected to approve Proposition 2 (State Budget: Budget Stabilization Account. Legislative Constitutional Amendment). The measure will alter the existing requirements for the Budget Stabilization Account (BSA) that was originally established with Proposition 58, passed in 2004. Proposition 2 is set to create a distinct budget stabilization fund known as the "Proposition 98 Reserve" or Public School System Stabilization Account (PSSSA).

**SAUSALITO MARIN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

(PREPARED BY DISTRICT MANAGEMENT)

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE (CONCLUDED)

Proposition 2 also includes a provision that will limit the amount that many school districts may hold in reserves in future years. At this time, the fiscal impact of Proposition 2 is not immediately clear, since the ultimate impact will largely depend on how it is implemented at the state and local levels moving forward.

Fiscal year 2015-16 will be the third year of the projected eight year phase-in period for the new Local Control Funding Formula (LCFF). Although more information regarding the new funding and accountability standards was released during the past year, it is very likely that there will be additional modifications in the future. As a result, school district budgets should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Sausalito Marin City School District, 200 Phillips Drive, Marin City, California 94965.

BASIC FINANCIAL STATEMENTS

SAUSALITO MARIN CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 3,879,729
Receivables (Note 4)	244,081
Capital Assets, Not Depreciated (Note 6)	948,870
Capital Assets, Net of Accumulated Depreciation (Note 6)	22,271,132
Total Assets	27,343,812
<u>Deferred Outflows of Resources</u>	
Pension Deferrals - CalSTRS (Note 12A)	219,038
Pension Deferrals - CalPERS (Note 12B)	103,996
Bond Refunding (Note 11)	1,338,433
Total Deferred Outflows of Resources	1,661,467
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	568,771
Accrued Interest Payable	238,107
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences	11,742
General Obligation Bonds	355,000
Bond Premium	14,998
Certificates of Participation	95,000
Capital Leases	18,907
<i>Portion Due or Payable After One Year:</i>	
Compensated Absences (Note 11)	35,225
General Obligation Bonds (Note 7)	16,155,000
Bond Premium (Note 11)	391,197
Certificates of Participation (Note 9)	3,485,000
Capital Leases (Note 10)	1,000,000
Other Post Employment Benefits (Note 11)	33,198
Net Pension Liability - CalSTRS (Note 12A)	2,162,169
Net Pension Liability - CalPERS (Note 12B)	828,728
Total Liabilities	25,393,042
<u>Deferred Inflows of Resources</u>	
Pension Deferrals - CalSTRS (Note 12A)	532,415
Pension Deferrals - CalPERS (Note 12B)	284,760
Total Deferred Inflows of Resources	817,175
<u>Net Position</u>	
Net Investment in Capital Assets	3,043,602
Restricted:	
For Capital Projects	592
For Debt Service	1,227,848
For Educational Programs	142,399
For Other Purposes	1,778
Unrestricted (Deficit)	(1,621,157)
Total Net Position	\$ 2,795,062

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**SAUSALITO MARIN CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>					
Instruction	\$ 3,506,278		\$ 664,500		\$ (2,841,778)
Instruction-Related Services:					
Supervision of Instruction	112,861		43,367		(69,494)
Instructional Library and Technology	111,993				(111,993)
School Site Administration	399,990		43,555		(356,435)
Pupil Services:					
Home-to-School Transportation	2,577		12,355		9,778
Food Services	153,680		88,338		(65,342)
Other Pupil Services	297,437		164,936		(132,501)
General Administration:					
Data Processing Services	12,452		3,184		(9,268)
Other General Administration	633,003		33,289		(599,714)
Plant Services	718,793		51,901		(666,892)
Ancillary Services	478				(478)
Interest on Long-Term Debt	766,964				(766,964)
Other Outgo	761,921		212,259		(549,662)
Total Governmental Activities	\$ 7,478,427	\$ 0	\$ 1,317,684	\$ 0	(6,160,743)
<u>General Revenues</u>					
Taxes Levied for General Purposes					3,098,921
Taxes Levied for Debt Service					837,224
Taxes Levied for Specific Purposes					730
Federal and State Aid - Unrestricted					1,124,989
Interest and Investment Earnings					20,166
Miscellaneous					250,360
Total General Revenues					5,332,390
Change in Net Position					(828,353)
Net Position - July 1, 2014 (As Restated - Note 20)					3,623,415
Net Position - June 30, 2015					\$ 2,795,062

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**SAUSALITO MARIN CITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General	Bond Interest and Redemption	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Deposits and Investments (Note 2)	\$ 2,176,647	\$ 671,041	\$ 794,882	\$ 237,159	\$ 3,879,729
Receivables (Note 4)	229,815			14,266	244,081
Due from Other Funds (Note 5)	22,109				22,109
Total Assets	<u>\$ 2,428,571</u>	<u>\$ 671,041</u>	<u>\$ 794,882</u>	<u>\$ 251,425</u>	<u>\$ 4,145,919</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts Payable	\$ 568,099			\$ 672	\$ 568,771
Due to Other Funds (Note 5)				22,109	22,109
Total Liabilities	<u>568,099</u>			<u>22,781</u>	<u>590,880</u>
Fund Balances: (Note 14)					
Nonspendable	1,000			40	1,040
Restricted	142,399	\$ 671,041	\$ 794,882	1,631	1,609,953
Assigned				226,973	226,973
Unassigned	1,717,073				1,717,073
Total Fund Balances	<u>1,860,472</u>	<u>671,041</u>	<u>794,882</u>	<u>228,644</u>	<u>3,555,039</u>
Total Liabilities and Fund Balances	<u>\$ 2,428,571</u>	<u>\$ 671,041</u>	<u>\$ 794,882</u>	<u>\$ 251,425</u>	<u>\$ 4,145,919</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**SAUSALITO MARIN CITY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Fund Balances - Governmental Funds \$ 3,555,039

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

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

Capital Assets	\$ 31,300,495	
Accumulated Depreciation	(8,080,493)	
Net		23,220,002

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

Deferred outflows of resources related to pensions	323,034
Deferred inflows of resources related to pensions	(817,175)

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

1,338,433

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

Compensated Absences	\$ 46,967	
General Obligation Bonds	16,510,000	
Bond Premium	406,195	
Certificates of Participation	3,580,000	
Capital Leases	1,018,907	
Other Post Employment Benefits	33,198	
Net Pension Liability - CalSTRS	2,162,169	
Net Pension Liability - CalPERS	828,728	
Total		(24,586,164)

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

(238,107)

Total Net Position - Governmental Activities \$ 2,795,062

**SAUSALITO MARIN CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Debt Service</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
LCFF Sources:					
State Apportionment / Transfers	\$ 1,047,092			\$ 50,000	\$ 1,097,092
Local Taxes	3,098,921				3,098,921
Total LCFF Sources	4,146,013			50,000	4,196,013
Federal Revenue	346,510			82,676	429,186
State Revenue	313,049	\$ 3,791		5,695	322,535
Local Revenue	851,628	834,853	\$ 14,054	1,805	1,702,340
Total Revenues	5,657,200	838,644	14,054	140,176	6,650,074
<u>Expenditures</u>					
Current:					
Instruction	2,694,092				2,694,092
Supervision of Instruction	108,782				108,782
Instructional Library and Technology	106,600				106,600
School Site Administration	386,456				386,456
Home-To-School Transportation	20,618				20,618
Food Services				153,364	153,364
Other Pupil Services	294,425				294,425
Data Processing Services	10,376				10,376
Other General Administration	617,805				617,805
Plant Services	628,070				628,070
Facilities Acquisition and Construction	1,500			47,371	48,871
Ancillary Services	478				478
Other Outgo	616,631				616,631
Debt Service:					
Principal Retirement	19,399	15,791,941		95,000	15,906,340
Interest and Issuance Costs		1,930,130		102,215	2,032,345
Total Expenditures	5,505,232	17,722,071	0	397,950	23,625,253
Excess of Revenues Over (Under) Expenditures	151,968	(16,883,427)	14,054	(257,774)	(16,975,179)
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In			55,766	492,440	548,206
Operating Transfers Out	(295,220)			(252,986)	(548,206)
Other Sources		16,922,444			16,922,444
Total Other Financing Sources (Uses)	(295,220)	16,922,444	55,766	239,454	16,922,444
Net Change in Fund Balances	(143,252)	39,017	69,820	(18,320)	(52,735)
Fund Balances - July 1, 2014	2,003,724	632,024	725,062	246,964	3,607,774
Fund Balances - June 30, 2015	\$ 1,860,472	\$ 671,041	\$ 794,882	\$ 228,644	\$ 3,555,039

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**SAUSALITO MARIN CITY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Governmental Funds	\$	(52,735)
<p>Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:</p>		
<p>Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:</p>		
Capital Outlay Expenditures	\$	66,103
Depreciation Expense		(972,875)
Net		(906,772)
<p>Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:</p>		
		15,906,340
<p>Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premiums, were:</p>		
		(16,510,000)
<p>Bond premiums: In governmental funds, bond premiums are recognized as Other Financing Sources in the period they are received. In the government-wide statements, bond premiums are amortized as interest over the life of the debt. The premiums recognized and amortized for the period are:</p>		
Premiums received during the period	\$	(412,444)
Premiums amortized for the period		6,249
Net		(406,195)
<p>Amortization of gain or loss from debt refunding: In governmental funds, any gain or loss resulting from debt refunding activities is recognized in the current year. In the government-wide statements, the gain or loss is deferred and amortized as interest over the life of the new or refunded debt, whichever period is shorter. Refunding costs recognized and amortized for the period are:</p>		
Refunding costs recognized during the period	\$	1,359,024
Refunding costs amortized for the period		(20,591)
Net		1,338,433
<p>Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized as an expenditure in the period that it becomes due. In the government-wide statements, it is recognized in the period incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from a prior period, was:</p>		
		(224,591)
<p>Compensated absences and early retirement incentives: In governmental funds, compensated absences and early retirement incentives are measured by the amounts paid during the period. In the statement of activities, compensated absences and early retirement incentives are measured by the amounts earned. The difference between amounts paid and amounts earned was:</p>		
		(15,163)
<p>Post employment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:</p>		
		(20,397)
<p>Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:</p>		
		62,727
Change in Net Position of Governmental Activities	\$	(828,353)

**SAUSALITO MARIN CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	<u>Agency Funds</u>		<u>Total Fiduciary Funds</u>
	<u>Student Body Funds</u>	<u>Willow Creek Academy</u>	
<u>Assets</u>			
Deposits and Investments (Note 2)	\$ 1,119	\$ 16,594	\$ 17,713
Total Assets	<u>1,119</u>	<u>16,594</u>	<u>17,713</u>
<u>Liabilities</u>			
Due to Student Groups	1,119		1,119
Due to Willow Creek Academy		16,594	16,594
Total Liabilities	<u>1,119</u>	<u>16,594</u>	<u>17,713</u>
<u>Net Position</u>			
Total Net Position	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

The financial reporting entity consists of the following:

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

Component Units are legally separate organizations for which elected officials of the primary government (District) are financially accountable. The District is financially accountable for the Sausalito School District Financing Corporation (the "Corporation") and therefore the Corporation meets the reporting entity definition. Accordingly, the financial activities of the Corporation have been included in the financial statements of the District.

The following are those aspects of the relationship between the District and the Corporation that satisfy the financial reporting entity criteria:

- The Board of Directors for the Corporation is appointed by the District's Board.
- The Corporation has no employees or members. The District's Business Manager shall serve as the Chief Financial Officer and the District's Superintendent shall serve as the Chief Executive Officer of the Corporation. These individuals receive no additional compensation for work performed in these capacities.
- The District exercises significant influence over operations of the Corporation as the District will always be the sole lessee of all facilities owned by the Corporation. Any deficits incurred by the Corporation will be reflected in the lease payments of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.
- All major financing arrangements, contracts, and financial transactions of the Corporation must have the consent of the District.
- The property, assets, profits, and net revenues of the Corporation are irrevocably dedicated to the District, subject to the indebtedness of the Corporation.
- The District has assumed a "moral obligation" and potentially a legal obligation for any debt incurred by the Corporation.

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Concluded)

For financial presentation purposes, the Corporation's financial activity has been blended, or combined, with the financial data of the District. The financial activity of the Corporation is included in the Corporation Debt Service Fund and Corporation Acquisition Fund, and the certificates of participation issued by the Corporation are reported as a liability in the Statement of Net Position.

The Corporation is a nonprofit, public benefit corporation, incorporated under the laws of the State of California and recorded by the Secretary of State in 1996. The Corporation was formed for the sole purpose of providing financial assistance to the Sausalito Marin City School District by acquiring, constructing, remodeling, rehabilitating, equipping, improving and financing various public facilities, land and equipment and by leasing certain facilities, land and equipment for the use, benefit and enjoyment of the public served by the District.

Governmental Accounting Standards Board Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, provides further guidance, stating that a legally separate organization should be reported as a component unit if specific criteria are met. The District has determined that there are no organizations, for which the District is not financially accountable, which should be reported within its financial reporting entity under GASB 39.

B. Implementation of New Accounting Pronouncements

In June 2012, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, with required implementation for the District during the year ended June 30, 2015. The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regards to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

In November 2013, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 71 (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date*, with required implementation for the District during the year ended June 30, 2015. The objective of this statement is to address an issue regarding application of the transition provisions of GASB 68. This issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of GASB 68.

The effect on beginning net position that resulted from implementing GASB 68 and GASB 71 is presented in Note 20.

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units. The effect of interfund activity within the governmental activities has been removed from these statements. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state apportionments, the California Department of Education has defined available as collectible within one year.

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

Unearned Revenue:

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

Expenses/Expenditures:

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

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

E. Fund Accounting

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

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

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

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

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

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

Major Governmental Funds:

General Fund is the general operating fund of the District. For financial reporting purposes the financial activities and balances of the Special Revenue - Special Reserve Fund have been combined with the General Fund.

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

Debt Service Fund is used to account for payments made to the sinking fund, which is required by the lease purchase agreement that was entered into with California School Board Association Finance Corporation, for purposes of financing capital improvements at the District's two schools.

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Concluded)

Non-major Governmental Funds:

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

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

Corporation Debt Service Fund is used to account for the payment of interest and redemption of principal on the outstanding certificates of participation issued by the Sausalito Marin City School District Financing Corporation.

Building Fund is used to account for acquisition of major governmental facilities financed from bond proceeds.

County School Facilities Fund is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

Capital Projects - Special Reserve Fund is used to account for proceeds from real property sales and capital outlays for District property.

Corporation Acquisition Fund is used to account for proceeds from the sale of certificates of participation that will be used to finance the renovation, construction, and modernization of the District's school facilities.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the student body account, which is used to account for the raising and expending of money to promote the general welfare, and educational experience of the student body. In addition, the District maintains an agency fund to account for receipts to be transferred to Willow Creek Academy. The District acts only as a cash conduit for these funds.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 57.

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting (Concluded)

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (See Note 3).

G. Use of Estimates

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

H. Encumbrances

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

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

1. Deposits and Investments

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

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

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

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

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Capital Assets

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

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	14-36
Buildings and Improvements	10-40
Furniture and Equipment	5-20

3. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District has two items that meet this criterion for reporting in this category. The first item represents employer contributions and state on-behalf payments made to the pension plans subsequent to the measurement date of the net pension liability and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. The second item is the deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District has one item that meets this criterion for reporting in this category. This item is the net difference between projected and actual earnings on pension plan investments and will be recognized in pension expense over a closed period of five years.

4. Compensated Absences

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

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Pensions

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

6. Long-term Liabilities

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

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

7. Fund Balance

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

Nonspendable Fund Balance consist of funds that are inherently nonspendable, due to their form (e.g. inventories and prepaid amounts), or that are legally or contractually required to be maintained intact.

Restricted Fund Balance consists of funds that have limitations on use that are externally enforceable by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that are set aside for a specific purpose by the district's highest level of decision making authority, the Governing Board. The Governing Board may commit fund balance by taking formal action, such as majority vote or resolution. The same formal action must be taken by the Governing Board to remove or change limitations placed on the funds.

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Fund Balance (Concluded)

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the District. The Governing Board has delegated authority to the Superintendent and/or their designee to identify intended uses of assigned funds.

Unassigned Fund Balance consists of positive net resources of the General Fund in excess of what can properly be classified in the previous four categories. The Board is committed to maintain a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts equal to at least 10% of the General Fund operating expenditures and other financing uses.

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

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

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

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

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

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

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, consist of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash in Bank		\$ 1,119
Cash in Revolving Fund	\$ 1,040	
Cash with Fiscal Agent	794,915	
County Pool Investments	<u>3,083,774</u>	<u>16,594</u>
Total Deposits and Investments	<u>\$ 3,879,729</u>	<u>\$ 17,713</u>

Cash in Bank

Cash in bank consists of all cash maintained in the commercial bank account owned by the District, exclusive of amounts held in revolving funds.

Cash in Revolving Fund

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

Cash with Fiscal Agent

Cash with Fiscal Agent includes funds of held by US Bank as trustee. The Debt Service Fund has \$794,882 for the future pay-off of a capital lease. The Corporation Debt Service Fund has \$11 for the future payment of interest and redemption of principal for certificates of participation and the Corporation Acquisition Fund has \$22 remaining for the MLK Classroom Construction Project.

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

County Pool Investments

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

General Authorization

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

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

Interest Rate Risk

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

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Segmented Time Distribution

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

Governmental Activities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1 Year</u>
County Pool Investments	\$ 3,083,774	\$ 3,084,440	\$ 2,711,069	\$ 372,705

Segmented Time Distribution (Concluded)

Fiduciary Activities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1 Year</u>
County Pool Investments	\$ 16,594	\$ 16,598	\$ 14,588	\$ 2,006

Credit Risk

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

Governmental Activities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Unrated</u>
County Pool Investments	\$ 3,083,774	\$ 3,084,440			\$ 3,083,774

Fiduciary Activities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Unrated</u>
County Pool Investments	\$ 16,594	\$ 16,598			\$ 16,594

Concentration of Credit Risk

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

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District does not have a bank balance that is exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2015, the District does not have any investments that are held by counterparties.

Derivative Investments

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

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no excess of expenditures over appropriations in the General Fund at June 30, 2015.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2015 consist of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government	\$ 46,379	\$ 13,383	\$ 59,762
State Government	33,748	883	34,631
Local Governments	149,688		149,688
Totals	<u>\$ 229,815</u>	<u>\$ 14,266</u>	<u>\$ 244,081</u>

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5 - INTERFUND ACTIVITIES

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

A. Due From/Due To Other Funds

All interfund receivables and payables are scheduled to be paid within one year. Individual fund interfund receivable and payable balances at June 30, 2015 are as follows:

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 22,109	
Cafeteria		\$ 22,109
Totals	<u>\$ 22,109</u>	<u>\$ 22,109</u>

B. Interfund Transfers

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

Interfund transfers for fiscal year 2014-15 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General		\$ 295,220
Debt Service	\$ 55,766	
Cafeteria	42,000	
Corporation Debt Service	197,220	
Capital Projects - Special Reserve	<u>253,220</u>	<u>252,986</u>
Totals	<u>\$ 548,206</u>	<u>\$ 548,206</u>

Transfer \$42,000 from General Fund to Cafeteria Fund to support the cafeteria program.

Transfer \$197,453 from General Fund to Capital Projects - Special Reserve Fund for the debt service payment on outstanding 2013 certificates of participation.

Transfer \$55,767 from General Fund to Capital Projects - Special Reserve Fund for capital lease sinking fund payment.

Transfer \$55,766 from Capital Projects - Special Reserve Fund to Debt Service Fund for capital lease sinking fund payment.

Transfer \$197,220 from Capital Projects - Special Reserve Fund to Corporation Debt Service Fund for debt service payment on outstanding 2013 certificates of participation.

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2015, is shown below:

	Balances <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>June 30, 2015</u>
Land	\$ 948,870			\$ 948,870
Sites and Improvements	2,485,365	\$ 34,000		2,519,365
Buildings and Improvements	27,201,585	11,485		27,213,070
Furniture and Equipment	598,572	20,618		619,190
Totals at Historical Cost	<u>31,234,392</u>	<u>66,103</u>	<u>\$ 0</u>	<u>31,300,495</u>
Less Accumulated Depreciation for:				
Sites and Improvements	1,332,759	76,708		1,409,467
Buildings and Improvements	5,603,012	852,788		6,455,800
Furniture and Equipment	171,847	43,379		215,226
Total Accumulated Depreciation	<u>7,107,618</u>	<u>972,875</u>	<u>0</u>	<u>8,080,493</u>
Governmental Activities Capital Assets, net	<u>\$ 24,126,774</u>	<u>\$ (906,772)</u>	<u>\$ 0</u>	<u>\$ 23,220,002</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 861,846
Instructional Library, Media, and Technology	5,393
School Site Administration	15,795
Home-to-School Transportation	2,577
Food Services	1,830
All Other Pupil Services	3,174
Data Processing Services	2,076
Other General Administration	1,466
Plant Services	<u>78,718</u>
Total Depreciation Expense	<u>\$ 972,875</u>

NOTE 7 - GENERAL OBLIGATION BONDS

On February 11, 2015, the District issued \$16,510,000 of 2015 refunding general obligation bonds with interest rates ranging from 2.00% to 5.00%. The refunding bonds were issued to lower the District's debt service requirements and reduce the tax burden on property owners in the District. The outstanding general obligation debt of the District as of June 30, 2015, was as follows:

A. Current Interest Bonds

Date of <u>Issue</u>	Interest <u>Rate %</u>	Maturity <u>Date</u>	Amount of Original <u>Issue</u>	Outstanding <u>July 1, 2014</u>	Issued Current <u>Year</u>	Redeemed Current <u>Year</u>	Outstanding <u>June 30, 2015</u>
8/18/05	3.65-5.50	8/1/30	\$ 7,640,000	\$ 6,055,000		\$ 6,055,000	\$ 0
9/7/06	3.25-4.125	8/1/22	1,680,000	1,055,000		1,055,000	0
9/7/06	3.85-4.375	8/1/28	3,110,000	3,100,000		3,100,000	0
2/11/15	2.00-5.00	8/1/42	16,510,000	0	\$ 16,510,000		16,510,000
			<u>\$ 28,940,000</u>	<u>\$ 10,210,000</u>	<u>\$ 16,510,000</u>	<u>\$ 10,210,000</u>	<u>\$ 16,510,000</u>

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

A. Current Interest Bonds (Concluded)

The annual requirements to amortize the general obligation bonds, as of June 30, 2015, are as follows:

Year Ended June 30	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 355,000	\$ 548,727	\$ 903,727
2017	130,000	559,656	689,656
2018	150,000	556,856	706,856
2019	175,000	553,606	728,606
2020	200,000	548,856	748,856
2021-2025	1,405,000	2,611,081	4,016,081
2026-2030	2,320,000	2,208,131	4,528,131
2031-2035	3,460,000	1,650,413	5,110,413
2036-2040	4,730,000	1,012,675	5,742,675
2041-2045	3,585,000	186,216	3,771,216
Totals	<u>\$ 16,510,000</u>	<u>\$ 10,436,217</u>	<u>\$ 26,946,217</u>

B. Capital Appreciation Bonds

Date of Issue	Accretion Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2014	Accreted Interest Current Year	Redeemed Current Year	Outstanding June 30, 2015
9/7/06	3.25-4.125	8/1/33	\$ 309,991	\$ 554,810	\$ 25,786	\$ 580,596	\$ 0
9/7/06	3.85-4.375	8/1/42	3,159,933	4,837,770	163,575	5,001,345	0
			<u>\$ 3,469,924</u>	<u>\$ 5,392,580</u>	<u>\$ 189,361</u>	<u>\$ 5,581,941</u>	<u>\$ 0</u>

NOTE 8 - DEFEASED DEBT

On February 11, 2015, the District issued \$16,510,000 of 2015 general obligation refunding bonds and deposited the proceeds from the sale in the amount of \$16,922,444 into irrevocable escrow accounts to advance refund, through an in-substance defeasance, the District's outstanding Series 2005, Series 2006A and Series 2006B general obligation bonds.

The refunding bond proceeds were distributed to escrow accounts as follows: \$5,829,859 to refund the Series 2005 general obligation bonds, with principal maturities from August 1, 2015 through August 1, 2030; \$1,866,474 to refund the Series 2006A general obligation bonds, with principal maturities from August 1, 2015 through August 1, 2033; \$9,067,530 to refund the Series 2006B general obligation bonds, with principal maturities from August 1, 2015 through August 1, 2042; and \$158,581 to pay costs of issuance.

As a result, the refunded general obligation bonds are considered to be defeased and the escrowed assets and the liabilities for these bonds have been removed from these financial statements. The refunding will reduce the District's debt service payments by \$4,115,636 and resulted in an economic gain of \$2,649,330.

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - CERTIFICATES OF PARTICIPATION

On February 12, 2012, the Sausalito School District Financing Corporation issued certificates of participation in the principal amount of \$3,675,000 to provide financing for the MLK Jr. Academy Classroom Construction Project. At June 30, 2015, the principal balance outstanding was \$3,580,000.

The annual requirements to amortize the certificates of participation as of June 30, 2015 are as follows:

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 95,000	\$ 101,669	\$ 196,669
2017	95,000	100,980	195,980
2018	95,000	100,125	195,125
2019	95,000	99,080	194,080
2020	95,000	97,845	192,845
2021-2025	510,000	460,092	970,092
2026-2030	575,000	388,447	963,447
2031-2035	675,000	292,509	967,509
2036-2040	800,000	166,771	966,771
2041-2045	545,000	29,138	574,138
Totals	<u>\$ 3,580,000</u>	<u>\$ 1,836,656</u>	<u>\$ 5,416,656</u>

NOTE 10 - CAPITAL LEASES

- A. On December 1, 2002, the District entered into a \$1,000,000 lease agreement to finance the remodel of its existing school facilities and the update of its technology systems. The agreement requires the District to make fifteen (15) annual payments of \$55,766 to a sinking fund maintained by US Bank. The sum of the annual payments plus interest earned on the sinking fund balance are expected to be sufficient to make a single \$1,000,000 lease payment on December 19, 2017 and pay-off the entire lease balance at that time. The lease does not include a prepayment option. The agreement provides for title to pass upon expiration of the lease period. Future required sinking fund payments as of June 30, 2015 are as follows:

Year Ended <u>June 30</u>	<u>Sinking Fund Payments</u>
2016	55,766
2017	55,766
2018	<u>55,766</u>
Total sinking fund payments remaining	<u>\$ 167,298</u>
Lease payment due December 19, 2017	<u>\$ 1,000,000</u>

At June 30, 2015, the Debt Service Fund has a fund balance of \$794,882. The District will receive no sublease rental revenues nor pay any contingent rentals for the leased assets.

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - CAPITAL LEASES (CONCLUDED)

- B. The District entered into a lease agreement to finance the acquisition of energy management equipment valued at \$156,600. The agreement provides for title to pass upon expiration of the lease period.

The future minimum lease payment under this agreement is as follows:

Year Ended <u>June 30</u>	Lease <u>Payment</u>
2016	\$ 19,399
Less amounts representing interest	<u>(492)</u>
Present value of net minimum lease payment	<u>\$ 18,907</u>

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

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS

From an accrual accounting perspective, the cost of other post employment benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when the benefits are paid or provided. Governmental Accounting Standards Board Statement No. 45 requires an accrual basis measurement and recognition of OPEB cost over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan.

Plan Descriptions: The District provides medical coverage to classified employees, with at least 15 years of service in the District who retire before the age of 65 and are at least 55 at the time of retirement. The District also provides medical coverage to certain administrators and confidential and classified management employees who retire before the age of 65 and are at least 55 at the time of retirement. The District subsidized coverage ceases after 24 months or at age 65, whichever occurs first. The District contributes up to the employee only rate towards retiree health premiums up to the District's annual cap, which was \$10,191 at the time of the valuation.

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

The District had twenty (20) active employees and one (1) retired employee covered by the OPEB Plan as of July 1, 2013, the effective date of the triennial OPEB valuation. For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

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

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (CONCLUDED)

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2015, the amount contributed to the plan, and changes in the District's net OPEB obligation that resulted in a net OPEB obligation of \$33,198 for the year ended June 30, 2015.

Annual required contribution (ARC)	\$ 20,625
Interest on Net OPEB Obligation	512
Adjustment to ARC	<u>(740)</u>
Annual OPEB cost	20,397
Contributions for the fiscal year	<u>(0)</u>
Increase in Net OPEB Obligation	20,397
Net OPEB Obligation - June 30, 2014	<u>12,801</u>
Net OPEB Obligation - June 30, 2015	<u>\$ 33,198</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years are presented below:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 20,397	0.0%	\$ 33,198
June 30, 2014	20,625	37.9%	12,801
June 30, 2013	N/A	N/A	N/A

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members. The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

In the July 1, 2013, actuarial valuation, the liabilities were computed using the projected unit credit cost method and the District's unfunded actuarial accrued liability is being amortized on the level dollar basis over an open 30 year amortization period. The actuarial assumptions utilized a 4% discount rate, the expected long-term rate of return on District assets. The valuation assumes an initial medical cost rate of 8%, which grades down to an ultimate rate of 5% by the 4th year, and constant 4% cost rate for dental and vision.

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - RETIREMENT PLANS

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

A. California State Teachers' Retirement System (CalSTRS)

Plan Descriptions, Benefits Provided and Employees Covered

The California State Teachers Retirement System (CalSTRS) administers a defined benefit plan, the State Teachers' Retirement Plan, which provides pension benefits to California full-time and part-time public school teachers and certain other employees of the public school system. The State Teachers' Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan 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 and to defray reasonable expenses for administering the STRP. The Teachers' Retirement Board (board) has exclusive control over the administration of the retirement system plans and the investment of funds. Although CalSTRS is the administrator of the STRP, the State of California is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity of the STRP. CalSTRS issues a stand-alone comprehensive annual financial report available to the public that can be found on the CalSTRS website.

Defined Benefit Program:

The Defined Benefit Program has two benefit formulas: (1) CalSTRS 2% at 60 with members first hired on or before December 31, 2012, to perform services that could be creditable to CalSTRS and (2) CalSTRS 2% at 62 with members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS. Members are eligible for normal retirement at age 60 (CalSTRS 2% at 60) or age 62 (CalSTRS 2% at 62), with a minimum of five years of credited service. After earning five years of credited service, members become fully vested in retirement benefits. There is a postretirement annual benefit adjustment increase of 2.0 percent per year on a simple basis and this benefit is vested for members who pay the higher contribution rates enacted in AB 1469, or retired in 2014. The Defined Benefit Program provides retirement benefits based on a members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. The Teachers' Retirement Law (Education Code Section 22000 et. seq.), as enacted and amended by the California Legislature, established the plan and CalSTRS as the administrator. The benefit terms of the plan may be amended through legislation.

Purchasing power protection is provided to members of the Defined Benefit Program through the Purchasing Power Protection Program. Quarterly annual distributions to retired and disabled members and beneficiaries restore purchasing power up to 85% of the initial monthly allowance. Funding for this program is from School Lands Revenue and the Supplemental Benefit Maintenance Account.

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - RETIREMENT PLANS (CONTINUED)

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

Plan Descriptions, Benefits Provided and Employees Covered (Concluded)

Defined Benefit Supplement Program:

The Defined Benefit Supplement Program, established pursuant to Chapter 74, Statutes of 2000 (AB 1509), is a defined benefit pension program that operates within the STRP. All members of the Defined Benefit Program who make contributions to CalSTRS on creditable compensation earned on and after January 1, 2001, have an account under the Defined Benefit Supplement Program and are eligible to receive a Defined Benefit Supplement benefit based on the amount of funds contributed to the Defined Benefit Supplement account. Membership in the Defined Benefit Supplement Program is mandatory. Interest is credited to the nominal DBS Program accounts at the minimum guaranteed annual rate established by the board prior to each plan year, which was 3% for the fiscal year ended June 30, 2014. The board may credit additional earnings to members' nominal accounts if actual investment earnings exceed the minimum guaranteed annual rate and meet the criteria set out in board policy.

Cash Balance Benefit Program:

The Cash Balance Benefit Program, established under Chapter 592, Statutes of 1995 (AB 1298), and subsequently merged into the STRP by Chapter 1048, Statutes of 1998 (SB 2085), is a defined benefit pension program. The Cash Balance Benefit Program is designed for employees of California's public schools who are hired to perform creditable service for less than 50% of the full-time equivalent for the position. Participation in the Cash Balance Benefit Program is optional; a school district or county office of education may elect to offer the Cash Balance Benefit Program. The District has not made this election.

STRP Replacement Benefits Program:

The STRP Replacement Benefits Program is an excess benefits arrangement for Defined Benefit Program members that is administered as a qualified excess benefit arrangement through a separate pension program apart from the other three STRP programs and is established in accordance with Internal Revenue Code (IRC) Section 415(m). IRC Section 415(b) imposes a dollar limit on the annual retirement benefits an individual may receive from a qualified defined benefit pension plan. The limit for individual CalSTRS members varies based on the age at which they retire. In 2014, the federal dollar limit for retirees is \$210,000, without considering the member's retirement age. Under CalSTRS 2% at 62, members will not receive any benefits in excess of the IRC Section 415(b) limit.

Contributions

Defined Benefit Program:

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law (Education Code Section 22000 et seq.) Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. The statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - RETIREMENT PLANS (CONTINUED)

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

Contributions (Continued)

Defined Benefit Program (Concluded):

Members: Under CalSTRS 2% at 60, the member contribution rate was 8.0% of applicable member earnings. Under CalSTRS 2% at 62, members contribute 50% of the normal cost of their retirement plan, which resulted in a contribution rate of 8.0% of applicable member earnings. In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2% annual benefit adjustment increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2% annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers the portion of the 2% annual benefit adjustment.

Employers: The required contribution rate was 8.25% of applicable member earnings. In accordance with AB 1469, employer contributions will increase from 8.25% to a total of 19.1% of applicable member earnings phased in over the next seven years, beginning in fiscal year 2014-15. The contribution rate for fiscal year 2014-15 was 8.88%.

State: The required contribution was 2.017% of the members' creditable earnings from the fiscal year ending in the prior calendar year. In addition, beginning October 1, 1998, a statutory contribution rate of 0.524%, adjustable annually in 0.25% increments up to a maximum of 1.505%, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments beginning in October 1, 2013, at an additional contribution rate of 1.024%.

The amount of District contributions to CalSTRS for the fiscal year ended June 30, 2015, was 8.88% of applicable member earnings in the fiscal year. The District's contribution to CalSTRS for the fiscal year ended June 30, 2015 was \$139,115.

Defined Benefit Supplement Program

Beginning July 1, 2002, for creditable service in excess of one year credit within one fiscal year, member contributions of 2% and employer contributions of 8% are credited to the members nominal Defined Benefit Supplement Program account (up to the compensation cap). Contributions for compensation as a result of retirement incentives or limited-term enhancements are credited to the members' Defined Benefit Supplement Program accounts for CalSTRS 2% at 60 members.

Cash Balance Benefit Program

The District does not participate in this program.

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - RETIREMENT PLANS (CONTINUED)

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

Contributions (Concluded)

STRP Replacement Benefits Program

The program is funded as needed. Contributions that would otherwise be credited to the Defined Benefit Program each month are instead credited to the Replacement Benefits Program to fund monthly program costs. Monthly employer contributions are received and paid to members in amounts equivalent to the benefits not paid as a result of IRC Section 415(b), subject to withholding for any applicable income or employment taxes.

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return ¹	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. Refer to CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis available on CalSTRS website for more information.

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

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods and Assumptions (Concluded)

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

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

* 10-year geometric average

Discount Rate

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

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

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

	<u>Discount Rate 1% Decrease 6.60%</u>	<u>Discount Rate Current Rate 7.60%</u>	<u>Discount Rate 1% Increase 8.60%</u>
District's proportionate share of the net pension liability	\$ 3,370,256	\$ 2,162,169	\$ 1,154,844

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - RETIREMENT PLANS (CONTINUED)

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

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

The State of California is considered to be a nonemployer contributing entity of the STRP. The state's proportionate share of the collective net pension liability used in the proportionate share calculation was 37.65% for the year ended June 30, 2014. The District's proportionate share of the STRP net pension liability and deferred items was calculated by multiplying the District's proportionate share of contributions for employers and nonemployer contributing entity by the aggregate amounts reported by CalSTRS as of June 30, 2014. As of June 30, 2015, the District reported a liability of \$2,162,169 for its proportionate share of the net pension liability.

The District's proportionate share of the net pension liability as of June 30, 2013 and June 30, 2014 was as follows:

	CalSTRS
Proportion - June 30, 2013	0.0037%
Proportion - June 30, 2014	0.0037%
Change - Increase (Decrease)	0.0000%

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$186,650. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 139,115	
District's Proportionate share of State On-Behalf payments subsequent to the measurement date	79,923	
Net differences between projected and actual earnings on pension plan investments *		\$ 532,415
Totals	\$ 219,038	\$ 532,415

* Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

\$139,115 reported as deferred outflows of resources were related to District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. The District also recognized revenue in the amount of \$79,923 for their proportionate support provided by the state as on-behalf payments subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - RETIREMENT PLANS (CONTINUED)

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

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2016	\$ 133,104
2017	133,104
2018	133,104
2019	133,103

Pension Plan's Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the comprehensive annual financial report issued by CalSTRS available on their website. The pension plan's fiduciary net position has been determined on the same basis used by the pension plan. CalSTRS maintains its accounting records using the accrual basis of accounting. It recognizes member contributions in the period in which the contributions are earned. CalSTRS recognizes employer and state contributions when earned and the employer or state has made a formal commitment to provide the contributions.

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

The District contributes to the Employers Schools Pool Plan (the Plan) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the CalPERS. All employees who work at least half time or are appointed to a job that will last at least six months and one day are eligible for CalPERS. Benefits vest after five years. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life. Employees hired after January 1, 2013 with five years of credit service must be at least age 52 to retire. The Plan provides retirement, disability, and disability benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Contributions

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

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - RETIREMENT PLANS (CONTINUED)

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

Contributions (Concluded)

The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 shall pay the higher of fifty percent of normal costs or 6.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2015 was 11.771% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2015 was \$103,996.

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

As of June 30, 2015, the District reported a liability of \$828,728 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2013 and June 30, 2014 was as follows:

	CalPERS
Proportion - June 30, 2013	0.0073%
Proportion - June 30, 2014	0.0073%
Change - Increase (Decrease)	0.0000%

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$73,657. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 103,996	
Net differences between projected and actual earnings on pension plan investments		\$ 284,760
Totals	\$ 103,996	\$ 284,760

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - RETIREMENT PLANS (CONTINUED)

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

Pension Liabilities, Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded)

\$103,996 reported as deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2016	\$ 71,190
2017	71,190
2018	71,190
2019	71,190

Actuarial Assumptions

The total pension liability in the June 30, 2013 actuarial valuations were determined using the following actuarial methods and assumptions:

	CalPERS
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
 Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases (1)	
Investment Rate of Return (2)	7.50%
Post Retirement Benefit Increase (3)	

(1) Varies by entry age and service

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

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

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

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS' website.

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate

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

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. For the Pool, this difference was deemed immaterial.

CalPERS is scheduled to review all actuarial assumptions as part of its regular asset liability management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - RETIREMENT PLANS (CONCLUDED)

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

Discount Rate (Concluded)

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

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

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

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

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

	<u>Discount Rate 1% Decrease 6.50%</u>	<u>Discount Rate Current Rate 7.50%</u>	<u>Discount Rate 1% Increase 8.50%</u>
District's proportionate share of the net pension liability	\$ 1,453,778	\$ 828,728	\$ 306,436

Pension Plan Fiduciary Net Position

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

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. The District and participating employees were required to contribute 6.2% of employee gross earnings, up to the annual limit.

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - LONG-TERM LIABILITIES

The changes in long-term liabilities for the year ended June 30, 2015, is shown below:

	Balances			Balances	
	July 1, 2014	Additions	Deductions	June 30, 2015	Due within One Year
Compensated Absences	\$ 14,920	\$ 46,967	\$ 14,920	\$ 46,967	\$ 11,742
General Obligation Bonds:					
Current Interest	10,210,000	16,510,000	10,210,000	16,510,000	355,000
Capital Appreciation	5,392,580	189,361	5,581,941	0	
Bond Premium	0	412,444	6,249	406,195	14,998
Certificates of Participation	3,675,000		95,000	3,580,000	95,000
Capital Leases	1,038,306		19,399	1,018,907	18,907
Early Retirement Incentives	16,884		16,884	0	
Other Post Employment Benefits	12,801	20,397		33,198	
Net Pension Liability - CalSTRS *	2,643,169		481,000	2,162,169	
Net Pension Liability - CalPERS *	1,127,655		298,927	828,728	
Totals *	<u>\$ 24,131,315</u>	<u>\$ 17,179,169</u>	<u>\$ 16,724,320</u>	<u>\$ 24,586,164</u>	<u>\$ 495,647</u>

* The July 1, 2014 balance has been adjusted to reflect the restatement described in Note 20.

General obligation bonds are obligations of the Bond Interest and Redemption Fund, which is financed primarily by property taxes collections. The remaining long-term liabilities will be financed primarily by the General Fund.

NOTE 14 - FUND BALANCES

The District's fund balances at June 30, 2015 consisted of the following:

	General Fund	Bond Interest and Redemption Fund	Debt Service Fund	Non-Major Governmental Funds	Totals
Nonspendable	\$ 1,000			\$ 40	\$ 1,040
Restricted	142,399	\$ 671,041	\$ 794,882	1,631	1,609,953
Assigned				226,973	226,973
Unassigned:					
Economic Uncertainties	585,045				585,045
Other	1,132,028				1,132,028
Total Fund Balances	<u>\$ 1,860,472</u>	<u>\$ 671,041</u>	<u>\$ 794,882</u>	<u>\$ 228,644</u>	<u>\$ 3,555,039</u>

NOTE 15 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) for K-12 Education. This payment consists of state general fund contributions to CalSTRS of \$79,923 (5.678848% of creditable compensation subject to CalSTRS).

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 16 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014-15, the District participated in one joint powers authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

NOTE 17 - JOINT VENTURES

The District participates in two joint ventures under joint powers agreements with Marin School Insurance Authority (MSIA) for workers' compensation and property and liability insurance, and Marin Pupils Transportation Agency (MPTA) for pupil transportation services for special education children. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage or transportation services for its members. The JPAs are governed by a board consisting of a representative from each member district. Each board controls the operations of their JPAs, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage or service requested and shares surpluses and deficits proportionately to their participation in the JPAs. The District is charged by the MPTA based upon actual cost of pupil transportation. The JPAs are audited on an annual basis. Financial information can be obtained by contacting each JPA's management.

NOTE 18 - CHARTER SCHOOL

In accordance with Education Code Section 47605, the District approved a charter school agreement with Willow Creek Academy Charter School, which was renewed for an additional five years for the period July 1, 2014 through June 30, 2019.

Under the terms of the agreement, the charter school is responsible for managing, budgeting, and accounting for its activities in accordance with accounting principles generally accepted in the United States of America. Therefore, the financial activities of the charter school are not included in the District's financial reports; however, the financial transactions between the charter school and the District are included.

NOTE 19 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Litigation

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

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 20 - RESTATEMENT OF NET POSITION

During fiscal year 2014-15, the District implemented Governmental Accounting Standards Board Statement No. 68 (GASB 68) and Statement No. 71 (GASB 71), as discussed in Note 1B. As a result, the beginning net position of the District has been restated to reflect the District's proportionate share of the net pension liability related to its participation in the CalSTRS and CalPERS pension plans, and the deferral of prior year contributions made to CalSTRS and CalPERS, which were previously reported as components of pension expense in the prior fiscal year. (In accordance with GASB 71, the beginning net position restatement does not reflect any other adjustments related to deferred inflows or outflows of resources related to pensions, which result from differences between expected and actual, projected and actual earnings on investments, or changes in assumptions, as the information required to determine such amounts was not available during the first year implementation of GASB 68.)

The effect of the restatement on the current year financial statements is as follows:

	<u>Statement of Activities</u>
Net Position - July 1, 2014 (as originally stated)	\$ <u>7,171,180</u>
Understatement of Deferred Outflows of Resources - CalSTRS	135,235
Understatement of Deferred Outflows of Resources - CalPERS	87,824
Understatement of Net Pension Liability - CalSTRS	(2,643,169)
Understatement of Net Pension Liability - CalPERS	<u>(1,127,655)</u>
Net Restatement	<u>(3,547,765)</u>
Net Position - July 1, 2014 (as restated)	\$ <u><u>3,623,415</u></u>

NOTE 21 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through February 12, 2016, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements, except as described below.

Impairment of District Assets

On September 6, 2015, the District Office of the Sausalito Marin City School District was substantially damaged by a fire. The District Office and personnel have been temporarily relocated to rental office space. The contents from the damaged offices are in the process of being cleaned of smoke/water damage and are being returned to District staff as they become available. The building is likely to be written off as a complete loss in addition to tangible property loss estimated in excess of \$175,000.

SUPPLEMENTARY INFORMATION SECTION

SAUSALITO MARIN CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 1,019,131	\$ 1,074,279	\$ 1,047,092	\$ (27,187)
Local Sources	3,084,018	3,077,389	3,098,921	21,532
Total LCFF Sources	4,103,149	4,151,668	4,146,013	(5,655)
Federal Revenue	344,478	358,283	346,510	(11,773)
Other State Revenue	280,742	313,621	313,049	(572)
Other Local Revenue	748,058	833,653	851,628	17,975
Total Revenues	5,476,427	5,657,225	5,657,200	(25)
<u>Expenditures</u>				
Certificated Salaries	1,678,193	1,832,113	1,815,949	16,164
Classified Salaries	811,565	817,451	816,707	744
Employee Benefits	712,047	862,514	822,050	40,464
Books and Supplies	160,026	340,801	275,606	65,195
Services and Other				
Operating Expenditures	1,368,453	1,340,985	1,118,272	222,713
Capital Outlay	30,000	30,000	20,618	9,382
Debt Service:				
Principal Retirement	18,041	19,399	19,399	
Interest and Fiscal Charges	1,359	1,359		1,359
Other Expenditures	530,112	668,820	616,631	52,189
Total Expenditures	5,309,796	5,913,442	5,505,232	408,210
Excess of Revenues Over (Under) Expenditures	166,631	(256,217)	151,968	408,185
<u>Other Financing (Uses)</u>				
Operating Transfers Out	(362,655)	(365,382)	(295,220)	70,162
Net Change in Fund Balances	(196,024)	(621,599)	(143,252)	\$ 478,347
Fund Balances - July 1, 2014	2,003,724	2,003,724	2,003,724	
Fund Balances - June 30, 2015	\$ 1,807,700	\$ 1,382,125	\$ 1,860,472	

**SAUSALITO MARIN CITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015**

	<u>Deferred Maintenance</u>	<u>Cafeteria</u>	<u>Corporation Debt Service</u>
<u>Assets</u>			
Deposits and Investments	\$ 90,950	\$ 9,293	\$ 32
Receivables		14,266	
Total Assets	<u>\$ 90,950</u>	<u>\$ 23,559</u>	<u>\$ 32</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable		\$ 672	
Due to Other Funds		22,109	
Total Liabilities		<u>22,781</u>	
Fund Balances:			
Nonspendable		40	
Restricted		738	\$ 32
Assigned	\$ 90,950		
Total Fund Balances	<u>90,950</u>	<u>778</u>	<u>32</u>
Total Liabilities and Fund Balances	<u>\$ 90,950</u>	<u>\$ 23,559</u>	<u>\$ 32</u>

<u>Building</u>	<u>County School Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Corporation Acquisition</u>	<u>Total Non-Major Governmental Funds</u>
\$ 247	\$ 592	\$ 136,023	\$ 22	\$ 237,159
				14,266
<u>\$ 247</u>	<u>\$ 592</u>	<u>\$ 136,023</u>	<u>\$ 22</u>	<u>\$ 251,425</u>
				\$ 672
				22,109
				<u>22,781</u>
				40
\$ 247	\$ 592	\$ 136,023	\$ 22	1,631
				226,973
<u>247</u>	<u>592</u>	<u>136,023</u>	<u>22</u>	<u>228,644</u>
<u>\$ 247</u>	<u>\$ 592</u>	<u>\$ 136,023</u>	<u>\$ 22</u>	<u>\$ 251,425</u>

**SAUSALITO MARIN CITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Deferred Maintenance</u>	<u>Cafeteria</u>	<u>Corporation Debt Service</u>
<u>Revenues</u>			
LCFF Sources:			
State Apportionment / Transfers	\$ 50,000		
Federal Revenue		\$ 82,676	
State Revenue		5,695	
Local Revenue	1,678	(33)	\$ 5
Total Revenues	<u>51,678</u>	<u>88,338</u>	<u>5</u>
<u>Expenditures</u>			
Current:			
Food Services		153,364	
Facilities Acquisition and Construction	35,886		
Debt Service:			
Principal Retirement			95,000
Interest and Issuance Costs			102,215
Total Expenditures	<u>35,886</u>	<u>153,364</u>	<u>197,215</u>
Excess of Revenues Over (Under) Expenditures	<u>15,792</u>	<u>(65,026)</u>	<u>(197,210)</u>
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In		42,000	197,220
Operating Transfers Out			
Total Other Financing Sources (Uses)	<u>0</u>	<u>42,000</u>	<u>197,220</u>
Net Change in Fund Balances	15,792	(23,026)	10
Fund Balances - July 1, 2014	<u>75,158</u>	<u>23,804</u>	<u>22</u>
Fund Balances - June 30, 2015	<u>\$ 90,950</u>	<u>\$ 778</u>	<u>\$ 32</u>

<u>Building</u>	<u>County School Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Corporation Acquisition</u>	<u>Total Non-Major Governmental Funds</u>
				\$ 50,000
				82,676
				5,695
\$ 1	\$ 1	\$ 153		1,805
<u>1</u>	<u>1</u>	<u>153</u>		<u>140,176</u>
				153,364
		11,485		47,371
				95,000
				102,215
<u>0</u>	<u>0</u>	<u>11,485</u>		<u>397,950</u>
<u>1</u>	<u>1</u>	<u>(11,332)</u>		<u>(257,774)</u>
		253,220		492,440
		(252,986)		(252,986)
<u>0</u>	<u>0</u>	<u>234</u>		<u>239,454</u>
1	1	(11,098)	\$ 0	(18,320)
<u>246</u>	<u>591</u>	<u>147,121</u>	<u>22</u>	<u>246,964</u>
<u>\$ 247</u>	<u>\$ 592</u>	<u>\$ 136,023</u>	<u>\$ 22</u>	<u>\$ 228,644</u>

SAUSALITO MARIN CITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
7/1/13	\$ 0	\$ 107,144	\$ 107,144	0%	\$ 1,145,431	9.35%

SEE NOTES TO SUPPLEMENTARY INFORMATION

SAUSALITO MARIN CITY SCHOOL DISTRICT

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

JUNE 30, 2015

CalSTRS	6/30/14 *
District's proportion of the collective net pension liability	0.0037%
District's proportionate share of the collective net pension liability	\$ 2,162,169
Portion of state's total proportionate share of the collective net pension liability associated with the District	51,188
Total collective net pension liability attributed to District	\$ 2,213,357
District's covered-employee payroll	\$ 1,629,127
District's proportionate share of the collective net pension liability as a percentage of covered-employee payroll	132.72%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

* The information presented above is determined as of the measurement date of the collective net pension liability. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. In the future, additional years will be added to this schedule as information becomes available until 10-years are presented.

SAUSALITO MARIN CITY SCHOOL DISTRICT

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

JUNE 30, 2015

<u>CalPERS</u>	<u>6/30/14 *</u>
District's proportion of the collective net pension liability	0.0073%
District's proportionate share of the collective net pension liability	\$ 828,728
District's covered-employee payroll	\$ 763,206
District's proportionate share of the collective net pension liability as a percentage of covered-employee payroll	108.59%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

* The information presented above is determined as of the measurement date of the collective net pension liability. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. In the future, additional years will be added to this schedule as information becomes available until 10-years are presented.

SAUSALITO MARIN CITY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - CALSTRS

JUNE 30, 2015

<u>CalSTRS</u>	<u>6/30/14 *</u>
Statutorily required District contributions (actuarially determined)	\$ 139,115
Contributions recognized by pension plan in relation to the statutorily required District contributions	<u>139,115</u>
Contribution deficiency (excess)	<u>\$ 0</u>
District's covered-employee payroll	\$ 1,566,610
Contributions recognized by pension plan in relation to statutorily required District contribution as a percentage of covered-employee payroll	8.88%

Methods and Assumptions Used to Determine Contribution Rates

The following actuarial methods and assumptions were used to determine the actuarially determined contribution for the STRP presented above:

Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll basis
Amortization Period	Open
Remaining Amortization Period	30 years
Asset Valuation Method	Expected value with 33% adjustment to market value
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Interest on Accounts	4.50%
Wage Growth	3.75%
Consumer Price Inflation	3.00%
Post-retirement Benefit Increases	2.00% simple

Changes in Benefit Terms

The California Public Employees' Pension Reform Act of 2013 (PEPRA) resulted in a new benefit formula. CalSTRS 2% at 62, for members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. Significant changes compared to CalSTRS 2% at 60 benefit formula include raising the normal retirement age from 60 to 62 and placing a limit on creditable compensation to 120 percent of the Social Security wage base, annually adjusted for changes to the Consumer Price Index.

Changes of Assumptions

There were no changes in major assumptions from the June 30, 2012, actuarial valuation.

* This information is determined as of June 30, 2014, reflecting the most recent information available from the pension plan. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. In the future, additional years will be added to this schedule as information becomes available until 10-years are presented.

SAUSALITO MARIN CITY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - CALPERS

JUNE 30, 2015

CalPERS	6/30/14 *
Contractually required District contribution (actuarially determined)	\$ 103,996
Contributions recognized by pension plan in relation to the contractually required District contributions	103,996
Contribution deficiency (excess)	\$ 0
District's covered-employee payroll	\$ 883,493
Contributions recognized by pension plan in relation to contractually required District contribution as a percentage of covered-employee payroll	11.771%

Methods and Assumptions Used to Determine Contribution Rates

Valuation Date	June 30, 2013
Funding Method	Individual Entry Age Normal Cost
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	Varies
Asset Valuation Method	Expected Value of Assets Smoothing Technique
Inflation	2.75%
Salary Increases	5.06% Average, Including Inflation of 3.00%
Investment Rate of Return	7.50%, net of Administrative Expenses
Retirement Age	CalPERS Experience Study
Mortality	CalPERS Experience Study

Changes in Benefit Terms

There were no changes to benefit terms that applied to all members of the CalPERS.

Changes of Assumptions

There were no changes in assumptions.

* This information is determined as of June 30, 2014, reflecting the most recent information available from the pension plan. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. In the future, additional years will be added to this schedule as information becomes available until 10-years are presented.

**SAUSALITO MARIN CITY SCHOOL DISTRICT
ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

ORGANIZATION

The Sausalito Marin City School District comprises and serves the City of Sausalito, Marin City, and several military installations. There were no changes in the boundaries of the District during the current year. The District currently operates one elementary school serving students in kindergarten through grade eight.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Caroline Van Alst	President	December 2016
Joshua Barrow	Vice President	December 2018
Ida Times	Clerk	December 2018
Thomas Newmeyer	Member	December 2018
William Ziegler	Member	December 2016

ADMINISTRATION

Steve Van Zant
Superintendent

Paula F. Rigney
Chief Business Official

SAUSALITO MARIN CITY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	P-2 Report			
	TK / K - 3	4 - 6	7 - 8	Totals
Regular ADA	80.99	39.58	23.64	144.21
Special Education - Nonpublic	1.87	0.99	2.70	5.56
Extended Year Special Education - Nonpublic		0.17	0.26	0.43
Totals	82.86	40.74	26.60	150.20

	Audited P-2 Report			
	TK / K - 3	4 - 6	7 - 8	Totals
Regular ADA	74.11	39.62	23.50	137.23
Special Education - Nonpublic	1.77	0.99	1.67	4.43
Extended Year Special Education - Nonpublic		0.17	0.26	0.43
Totals	75.88	40.78	25.43	142.09

	Annual Report			
	TK / K - 3	4 - 6	7 - 8	Totals
Regular ADA	80.01	39.58	22.47	142.06
Special Education - Nonpublic	1.84	0.99	2.74	5.57
Extended Year Special Education - Nonpublic		0.17	0.26	0.43
Totals	81.85	40.74	25.47	148.06

	Audited Annual Report			
	TK / K - 3	4 - 6	7 - 8	Totals
Regular ADA	73.20	39.58	22.47	135.25
Special Education - Nonpublic	1.77	0.99	1.74	4.50
Extended Year Special Education - Nonpublic		0.17	0.26	0.43
Totals	74.97	40.74	24.47	140.18

SAUSALITO MARIN CITY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Grade Level</u>	<u>Minutes Required</u>	<u>Adjusted Minutes Required</u>	<u>2014-15 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	35,000	50,825	179	N/A	In Compliance
Grade 1	50,400	49,000	60,275	179	N/A	In Compliance
Grade 2	50,400	49,000	60,275	179	N/A	In Compliance
Grade 3	50,400	49,000	60,275	179	N/A	In Compliance
Grade 4	54,000	52,500	60,275	179	N/A	In Compliance
Grade 5	54,000	52,500	60,275	179	N/A	In Compliance
Grade 6	54,000	52,500	59,516	179	N/A	In Compliance
Grade 7	54,000	52,500	59,516	179	N/A	In Compliance
Grade 8	54,000	52,500	59,516	179	N/A	In Compliance

SAUSALITO MARIN CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Identification Number</u>	<u>Federal Program Expenditures</u>
U.S. Department of Agriculture:			
Passed through California Department of Education (CDE):			
<i>Child Nutrition Cluster:</i>			
National School Lunch	10.555	13524	\$ 69,072
School Needy Breakfast	10.553	13526	13,604
U.S. Department of Education:			
Passed through CDE:			
NCLB: Title I - Basic Grant Low-Income & Neglected	84.010	14329	202,483
NCLB: Title II - Improving Teacher Quality	84.367	14341	22,670
NCLB: Title III - Immigrant Education Program	84.365	15146	910
NCLB: Title III - Limited English Proficient	84.365	14346	2,985
Passed through Marin County SELPA:			
<i>Special Education Cluster:</i>			
IDEA Part B Basic Local Assistance	84.027	13379	109,152
IDEA Part B Mental Health Allocation Plan	84.027A	14468	6,451
Received Direct:			
Federal Impact Aid	84.041	n/a	1,859
Total			<u>\$ 429,186</u>

**SAUSALITO MARIN CITY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Fund	Special Revenue - Special Reserve Fund
June 30, 2015 Annual Financial and Budget Report Fund Balances	\$ 1,687,652	\$ 172,820
Reclassifications Increasing/(Decreasing) Fund Balances:		
Reclassification of Fund Balances	172,820	(172,820)
June 30, 2015 Audited Financial Statements Fund Balances	\$ 1,860,472	\$ 0

Auditor's Comments

The fund balances of the General Fund and Special Revenue - Special Reserve Fund have been combined for financial reporting purposes in accordance with GASB 54.

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2015.

SAUSALITO MARIN CITY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	GENERAL FUND			
	(Budget) ⁽¹⁾ 2015-16 ⁽²⁾	2014-15	2013-14	2012-13
Revenues and Other Financial Sources	\$ 5,175,213	\$ 5,657,200	\$ 5,797,537	\$ 6,003,777
Expenditures	4,968,628	5,505,232	5,273,540	5,644,405
Other Uses and Transfers Out	350,565	295,220	275,938	324,109
Total Outgo	5,319,193	5,800,452	5,549,478	5,968,514
Change in Fund Balance	(143,980)	(143,252)	248,059	35,263
Ending Fund Balance	\$ 1,716,492	\$ 1,860,472	\$ 2,003,724	\$ 1,755,665
Available Reserves	\$ 1,573,093	\$ 1,717,073	\$ 1,840,732	\$ 1,555,347
Reserve for Economic Uncertainties ⁽³⁾	\$ 531,919	\$ 585,045	\$ 555,431	\$ 588,841
Available Reserves as a Percentage of Total Outgo	29.6%	29.6%	33.2%	26.1%
Average Daily Attendance at P-2	145	142	142	117
Total Long-Term Liabilities ⁽⁴⁾	\$ 24,090,517	\$ 24,586,164	\$ 24,131,315	\$ 20,819,832

- (1) Amounts reported for the budget are presented for analytical purposes only and have not been audited.
- (2) Amounts have been adjusted to ensure comparability with the current year GASB 54 financial statement presentation.
- (3) Reported balances are a component of available reserves.
- (4) The amount presented for 2013-14 has been adjusted to reflect the restatement discussed in Note 20 related to the implementation of Governmental Accounting Standards Board Statement No. 68 (GASB 68).

The fund balance of the General Fund increased \$104,807 (6.0%) over the past two years. The fiscal year 2015-16 budget projects a decrease of \$143,980 (7.7%). For a district this size, the state recommends available reserves of at least 5% of total general fund expenditures, transfers out, and other uses (total outgo).

The District incurred an operating deficit of \$ 143,252 during fiscal year 2014-15, and produced operating surpluses of \$248,059 and \$35,263 during fiscal years 2013-14 and 2012-13, respectively.

Average daily attendance (ADA) increased 25 ADA over the past two years. The District anticipates an increase of 3 ADA during fiscal year 2015-16.

Total long-term liabilities increased \$3,766,332 over the past two years due primarily to the implementation of GASB 68.

SAUSALITO MARIN CITY SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Charter School

Willow Creek Academy

District Audit

Excluded

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

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

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object. See Note 3 for any excess of expenditures over appropriations.

B. Combining Statements

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

C. Schedule of Funding Progress

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

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

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

E. Schedule of Contributions

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

SAUSALITO MARIN CITY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

F. Schedule of Average Daily Attendance

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

G. Schedule of Instructional Time

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

H. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activities of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

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

J. Schedule of Financial Trends and Analysis

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

K. Schedule of Charter Schools

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

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Sausalito Marin City School District
Sausalito, California

Report on State Compliance

We have audited Sausalito Marin City School District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* for the fiscal year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-15 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting (K-12 Audit Guide)*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Sausalito Marin City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Sausalito Marin City School District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Not Applicable
Adult Education Maintenance of Effort	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/ Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Opinion on State Compliance

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2014-15 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Findings 15-002** through **15-005**. Our opinion on state compliance on the programs previously identified is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2014-15 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

February 12, 2016

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

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

Board of Trustees
Sausalito Marin City School District
Sausalito, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sausalito Marin City School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 12, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency, as noted in **Finding 15-001**.

Compliance and Other Matters

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

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

February 12, 2016

FINDINGS AND QUESTIONED COSTS SECTION

SAUSALITO MARIN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ Yes	___X___ No
Significant deficiencies identified not considered to be material weaknesses?	___X___ Yes	_____ None reported
Noncompliance material to financial statements noted?	_____ Yes	___X___ No

State Awards

Noncompliance required to be reported in accordance with <i>2014-15 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting</i> ?	___X___ Yes	_____ None reported
Type of auditor's report issued on compliance for state programs:	Unmodified	

SAUSALITO MARIN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

15 - 001 / 30000

SIGNIFICANT DEFICIENCY

PAYROLL

<u>Criteria:</u>	Employee timesheets should be signed by employees and their immediate supervisor prior to processing timesheets for payment.
<u>Condition:</u>	Employee timesheets were processed for payment prior to being signed by the employees' supervisor.
<u>Questioned Costs:</u>	None. We determined that the internal control deficiency did not result in any improper payments.
<u>Context:</u>	The condition was noted when testing supplemental payroll in the month April 2015.
<u>Effect:</u>	It is difficult to determine the validity of the hours claimed for payment on the timesheets, when the timesheets are not signed by the employees' supervisor.
<u>Cause:</u>	Established procedures that require supervisor's to sign employee timesheets prior to processing the timesheets for payment were not followed.
<u>Recommendation:</u>	The District should enforce procedures that require supervisor's to sign employee timesheets prior to processing the timesheets for payment.
<u>District Response:</u>	District Office personnel will ensure that the appropriate supervisor signs employees' timesheets before they are processed for payment.

**SAUSALITO MARIN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

15 - 002 / 10000

ATTENDANCE

Criteria: 1-3. In accordance with Education Code Section 46000, attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education.

Conditions:

1. The District claimed apportionment days for seven students who were no longer enrolled in the District.
2. The average daily attendance (ADA) reported for nonpublic school students was calculated using an incorrect divisor.
3. The District did not properly exclude a non-school day in the computerized attendance system for the P-2 reporting period.

Questioned Costs: 1-3. The ADA reported on the P-2 and Annual attendance reports, was understated/(overstated) by the following amounts.

<u>P-2 Report</u>	<u>TK/K-3</u>	<u>4 - 6</u>	<u>7 - 8</u>	<u>Totals</u>
Regular ADA	(6.88)	0.04	(0.14)	(6.98)
Special Education - Nonpublic	<u>(0.10)</u>	<u> </u>	<u>(1.03)</u>	<u>(1.13)</u>
Totals	<u>(6.98)</u>	<u>0.04</u>	<u>(1.17)</u>	<u>(8.11)</u>
<u>Annual Report</u>	<u>TK/K-3</u>	<u>4 - 6</u>	<u>7 - 8</u>	<u>Totals</u>
Regular ADA	(6.81)			(6.81)
Special Education - Nonpublic	<u>(0.07)</u>	<u> </u>	<u>(1.00)</u>	<u>(1.07)</u>
Totals	<u>(6.88)</u>	<u>0.00</u>	<u>(1.00)</u>	<u>(7.88)</u>

The understated ADA was a result of District initiated attendance revisions entered in the system after the original P-2 report was filed.

There is no significant fiscal impact of this finding because the District is funded under the Basic Aid provision; however the District may experience reduced EPA, categorical, and SELPA funding as a result of this finding, which has not been calculated.

Context: 1-3. The errors were noted during the review of supporting documents for the P-2 and Annual attendance reports.

Effect: 1-3. The District overstated the total ADA reported to the State for the P-2 and Annual attendance reporting periods in fiscal year 2014-15.

SAUSALITO MARIN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

ATTENDANCE (CONCLUDED)

- Causes:
1. The District has not established procedures to ensure that enrollment and attendance records are properly reconciled at the end of each school month. The transitional kindergarten students, who were initially enrolled in the District, transferred to another local education agency shortly after the beginning of the school year and school site personnel did not properly indicate that these students were absent or not enrolled in the District classroom when they continually appeared on weekly classroom rosters.
 2. The employee assigned the task of calculating the ADA generated by special education - nonpublic school students did not use the proper divisor to calculate the ADA for pupils who attended nonpublic schools for less than a full year. The employee divided the apportionment days by the number of days the students were enrolled in the nonpublic school rather than using the nonpublic schools' established P-2 and Annual attendance period divisors. The calculation error was not discovered by District personnel prior to submitting the attendance reports to the California Department of Education (CDE).
 3. The District did not revise the calendar in the computerized attendance system to change the emergency closure day to a non-school day until after the original P-2 report was filed.

- Recommendations:
- 1-3. The District should establish appropriate attendance accounting procedures to ensure enrollment is reconciled to attendance at the end of each school month; employees, who prepare and review attendance calculations, understand how to calculate non-public school ADA; and the school calendar entered into the computerized system properly reflects the actual number of school days.

In addition, the District should submit revised P-2 and Annual attendance reports for fiscal year 2014-15 that reflect the audited ADA reported on page 68.

- District Responses:
- 1-3. The District met with the School Principal and reviewed all of the findings. The District verified that they do not enroll any students that are not part of the regular K-8 program. The District instructed teachers during the first staff development day in fiscal year 2015-16 regarding the teachers' responsibility to verify the attendance sheets because the teacher's signature indicates his/her certification of its accuracy. NPS calculations and the school attendance calendar input into the attendance system will be reviewed prior to submitting attendance reports to the CDE. The District will revise the 2014-15 P-2 and Annual ADA to the audited figures.

SAUSALITO MARIN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

15 - 003 / 40000

AFTER SCHOOL EDUCATION AND SAFETY PROGRAM

- Criteria:**
1. In accordance with Education Code Section 8482.3(f)(10), After School Education and Safety Program grantees agree to provide program attendance of participating pupils to the department. Grantees are required to report the days of operation and the students served for each school for the 1st and 2nd Half of each fiscal year. Ongoing program funding is based on grantees meeting specific attendance goals, therefore grantees should develop and maintain accurate attendance records to support attendance reported to the California Department of Education.
 2. In accordance with Education Code Section 8483 (a)(2), it is the intent of the Legislature that elementary school pupils attend the entire program every day that the program operates, with the exception of absences allowed under each district's early release policy. In addition, Education Code Section 8483 (a)(3), requires districts to give enrollment priority to students who are able to attend the program daily at the middle school level. Accordingly, districts must have a system in place to classify student absences, as either allowable or unallowable in accordance with the district's early release policy, and must be able to utilize such data to ensure that the students, who are able to attend the program the most, are given enrollment priority over those students who are unable to attend.
- Conditions:**
1. The number of students served as reported to the California Department of Education (CDE) for the 2nd Half After School Base attendance report could not be reconciled to the monthly totals received from the Charter School.
 2. The Charter School adopted an early release policy for classifying student absences as either allowable or unallowable; however, the Charter School did not establish appropriate procedures to ensure that the attendance sign in/sign-out sheets were being completed consistent with their early release policy. The weekly sign-in/sign-out sheets used by the Charter School were not properly configured to record the reason(s) for early release from the program or the initial/signature of the parent or guardian signing out the student. As a result, we did not observe any early release codes or the initial/signature of the parent or guardian signing out the students documented for the month tested.
- Questioned Costs:**
1. Unable to be determined due to the loss of records as a result of the fire at the District Office on September 6, 2015. The records may eventually be recovered, however nothing has been returned to the District at this time.

SAUSALITO MARIN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (CONTINUED)

Questioned Costs:

(Concluded):

2. None. The Charter School's failure to use early release codes as a means of prioritizing student enrollment in the program does not affect program attendance, and has no fiscal impact on ASES state funding. The Charter School does not maintain a waiting list since all students interested in the program are allowed to attend.

Context:

1. The condition appears limited to the 2nd Half Attendance period for Willow Creek Charter School. Monthly summary totals from excel spreadsheets provided by the Charter School add up to 11,114 student days for the 2nd Half, however, not all students included on the Charter School's spreadsheets are reported for ASES funding and the notes reconciling the Charter School reported totals to the totals reported to the CDE are unavailable due to the fire.
2. The condition appears isolated to Willow Creek Charter School, which receives state ASES funding for 44 students. The District was unable to identify which students were reported for state funding purposes, however, for the month of April 2015 we noted the following: Based on sign-in/sign-out sheets, there were 1,870 days of attendance and 1,593 days that students were released early without any documentation of an early release code to identify the reason for the students' early release or who signed the student out of the program.

Effect:

- 1-2. The District does not appear to have appropriate procedures in place to ensure compliance with the relevant sections of Education Code Sections 8482.3 and 8483.

Causes:

1. The District was unable to explain the discrepancy between the Charter School's reported attendance totals and the attendance totals submitted to the CDE during our preliminary audit fieldwork in August 2015, and the subsequent loss of records as a result of the fire prevented the District from further investigating the discrepancy.
2. The Charter School took over operations of the after school program beginning in fiscal year 2014-15 and the employees responsible for recording attendance were not aware of the documentation requirements related to the early release of students from the program.

Recommendations:

1. The District should establish appropriate procedures to ensure that information submitted to the California Department of Education for the ASES program reconciles to supporting site records which are retained for audit purposes.
2. The District should establish appropriate procedures to review the attendance records that are prepared and maintained by the Charter School, to ensure that the program is operated in accordance with state laws.

SAUSALITO MARIN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (CONCLUDED)

District Responses: 1-2. The District had a meeting with the Willow Creek Academy Head of School and new After School Coordinator to explain the findings and explain all of the rules that apply under the ASES program. The CBO showed the new After School Coordinator where to go on the CDE website to access program regulations and resources, and also recommended that the After School Coordinator sit down with the Boys and Girls Club, who the District contracts with to run their ASES program at Bayside/MLK Academy.

**SAUSALITO MARIN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

15 - 004 / 40000

UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS

Criteria: 1-2. Education Code Section 42238.02(b)(2) commencing with the 2013-14 fiscal year requires a school district or charter school to annually submit its enrolled free and reduced-price meal eligibility, foster youth, and English learner pupil-level records for enrolled pupils to the Superintendent using the California Longitudinal Pupil Achievement Data System (CALPADS). Education Code Section 42238.02(b)(3)(B) states that the Controller shall include instructions necessary to enforce paragraph (2) in the audit required by Education Code Section 14502.1 and that the instructions shall include, but are not necessarily limited to, procedures for determining if the English learner, foster youth, and free or reduced-price meal eligible pupil counts are consistent with the school district's or charter school's English learner, foster youth, and free or reduced-price meal eligible pupil records.

Conditions: 1. The District did not have documentation to support the free or reduced price meal eligibility status assigned to 3 students on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report, who had a "No" under the "Direct Certification" column, and who did not possess any other status designation that allowed the pupils to be reported as part of the unduplicated pupil count.

2. The District included 7 transitional kindergarten students, who were not enrolled in the District on October 1, 2014, in the District's Fall 1 enrollment count. Of these students, 3 were reported unduplicated eligible FRPM, 2 were reported EL funding eligible and 3 were reported in the unduplicated FRPM/EL eligible counts for 2014-15.

Questioned Costs: 1-2. A summary of certified enrollment, unduplicated pupil counts, pupil count adjustments, and audited unduplicated pupil counts is presented for the District's schools, as follows:

	Total Enrollment	Total Unduplicated Eligible Free/Reduced Meal Counts	EL Funding Eligible	Unduplicated FRPM/EL Eligible Count
Bayside Martin Luther King Jr.	160	134	46	146
NPS School Group	4	1	0	1
Certified Pupil Counts	<u>164</u>	<u>135</u>	<u>46</u>	<u>147</u>
Bayside Martin Luther King Jr.	(7)	(6)	(2)	(6)
NPS School Group				
Audit Adjustments	<u>(7)</u>	<u>(6)</u>	<u>(2)</u>	<u>(6)</u>
Bayside Martin Luther King Jr.	153	128	44	140
NPS School Group	4	1	0	1
Audited Pupil Counts	<u>157</u>	<u>129</u>	<u>44</u>	<u>141</u>

SAUSALITO MARIN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (CONCLUDED)

Questioned Costs
(Concluded):

- 1-2. The District received funding under the Basic Aid provision and did not receive either supplemental or concentration grant funding in fiscal year 2014-15, therefore there is no fiscal impact.

Context:

1. We reviewed 100% of the student population where the exception was noted. The disallowed pupil counts were limited to pupils who had not submitted an approved FRPM application between July 1, 2014 and October 31, 2014.
2. Based on **Finding 15-002**, related to the 7 transitional kindergarten students who were not enrolled in the District after the first week of the school year, we reviewed the CalPADS Fall 1 reports to ensure the 7 transitional kindergarten students were not reported by the District.

Effect:

- 1-2. The District overstated the enrollment counts and unduplicated pupil counts reported to the California Department of Education for fiscal year 2014-15.

Causes:

1. District personnel were not aware that FRPM-eligibility as reported in CALPADS does not allow the 30-day carryover of eligibility into the following school year that is allowed under the child nutrition program.
2. District personnel did not reconcile the enrollment counts and unduplicated pupil counts reported in CalPADS to appropriate pupil records.

Recommendations:

1. The District should establish procedures to ensure that all pupils, who are reported as FRPM-eligible on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report and who are not directly certified, have an approved FRPM application or alternative income form submitted between July 1 and October 31 of each school year.
2. The District should establish procedures to ensure that enrollment counts reported in CalPADS reconcile to their student information system and that the unduplicated pupil counts reported in CalPADS are consistent with the District's eligible pupil records.

District Responses:

1. The District instructed the employee responsible for CalPADS reporting to verify all that all students reported as FRPM-eligible on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report are either on the direct certification list or have an approved FRPM application submitted by October 31st.
2. The District met with the school Principal and verified that the school does not enroll any students that are not part of the regular K-8 program, which should ensure only eligible pupils are uploaded and reported in CalPADS.

SAUSALITO MARIN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONCLUDED)

15 - 005 / 62000

LOCAL CONTROL ACCOUNTABILITY PLAN

Criteria: In accordance with Education Code Section 52062(a)(1), the superintendent of the school district shall present the local control and accountability plan or annual update to the parent advisory committee established pursuant to Section 52063 for review and comment. The superintendent of the school district shall respond, in writing, to comments received from the parent advisory committee.

Condition: The District was unable to provide documentation showing that the 2014-15 local control accountability plan and annual update was presented to a parent advisory committee that included parents or legal guardians of pupils who are “eligible for free or reduced-priced meals” and “pupils of limited English proficiency” as defined in Education Code Section 42238.01.

Questioned Costs: None.

Context: The District held a public hearing in accordance with Education Code Section 52062(b)(1) on June 10, 2014, and approved the 2014-15 local control accountability plan and annual update in accordance with Education Code Section 52062(b)(2) on June 24, 2014.

Effect: The District was unable to provide documentation showing they complied with the requirements of Education Code Section 52062(a)(1).

Cause: District Administration was responsible for meeting with the various stakeholder groups for the development of the 2014-15 local control accountability plan. The District could not provide supporting documents showing the various stakeholder groups input and involvement in the development of the local control accountability plan.

Recommendation: The District should establish appropriate procedures to ensure they maintain supporting documentation showing the District’s compliance with Education Code Section 52062(a)(1) in the future.

District Response: District Administration meets with the school site Administer/Principal periodically to ensure that all documentation showing the District’s compliance with LCAP requirements is maintained. District Administration collects all LCAP supporting documentation before the school site Administrator/Principal leaves for the summer break.

SAUSALITO MARIN CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>FINANCIAL STATEMENTS</u>		
14 - 1 / 30000		
MATERIAL WEAKNESS		
<u>FINANCIAL REPORTING - UNAUDITED ACTUALS</u>		
The District should establish appropriate procedures to ensure that all material expenditures are recorded in the correct fiscal year.	Implemented	
14 - 2 / 30000		
SIGNIFICANT DEFICIENCY		
<u>CAFETERIA FUND ENCROACHMENT</u>		
The District should continue to investigate program changes that will allow the Cafeteria Fund to operate closer to a break-even basis and become less dependent on annual General Fund contributions.	Not Implemented	Comment Not Repeated. The Board has set a priority to provide organic, non-GMO meals with the associated higher costs.
<u>STATE AWARDS</u>		
14 - 3 / 70000		
<u>INSTRUCTIONAL MATERIALS FUNDING REALIGNMENT PROGRAM</u>		
The District should establish procedures to ensure that the required public hearing is held within the first eight weeks of school in accordance with Education Code Section 60119.	Implemented	

**SAUSALITO MARIN CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>STATE AWARDS (CONCLUDED)</u>		
14 - 4 / 72000		
<u>SCHOOL ACCOUNTABILITY REPORT CARD</u>		
The District should establish appropriate procedures to ensure that complete school accountability report cards are prepared for all school sites on an annual basis and disseminated to the public in accordance with Proposition 98.	Implemented	
14 - 5 / 40000		
<u>AFTER SCHOOL EDUCATION AND SAFETY PROGRAM</u>		
The District should establish appropriate procedures to review the attendance records that are prepared and maintained by the contractor, to ensure that the program is operated in accordance with state laws.	Implemented	
14 - 6 / 40000		
<u>UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS</u>		
The District should establish appropriate procedures to ensure that counts reported on the CALPADS "1.18 - FRPM/English Learner/Foster Youth - Student List" report are supported by appropriate documentation.	Partially Implemented	Comment Repeated (Finding 15 - 004)