

**MILL VALLEY SCHOOL DISTRICT  
COUNTY OF MARIN  
MILL VALLEY, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2016**



MILL VALLEY SCHOOL DISTRICT

JUNE 30, 2016

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TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	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
Notes to the Basic Financial Statements	22
<u>REQUIRED SUPPLEMENTARY INFORMATION SECTION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	57
Schedule of Funding Progress	58
Schedule of the Proportionate Share of the Net Pension Liability - CalSTRS	59
Schedule of the Proportionate Share of the Net Pension Liability - CalPERS	60
Schedule of Contributions - CalSTRS	61
Schedule of Contributions - CalPERS	62
Notes to Required Supplementary Information	63

MILL VALLEY SCHOOL DISTRICT

JUNE 30, 2016

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TABLE OF CONTENTS (CONCLUDED)

	<u>Page</u>
<u>SUPPLEMENTARY INFORMATION SECTION</u>	
Organization/Board of Education/Administration	65
Combining Statements - Non-Major Funds:	
Combining Balance Sheet - Non-Major Governmental Funds	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	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 Revenues, Expenditures, and Changes in Fund Balances - Measure A and Measure B - Parcel Taxes	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 <i>Government Auditing Standards</i>	81
Independent Auditor's Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	83
<u>FINDINGS AND QUESTIONED COSTS SECTION</u>	
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor's Results	85
Section II - Financial Statement Findings	86
Section III - Federal Award Findings and Questioned Costs	87
Section IV - State Award Findings and Questioned Costs	88
Status of Prior Year Recommendations	89

## FINANCIAL SECTION



# **STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Mill Valley School District  
Mill Valley, California

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Mill Valley School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mill Valley Schools Community Foundation (Kiddo!), which represents 100% of the assets, liabilities, net assets, revenues and expenses of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Kiddo!, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Mill Valley School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14, the budgetary comparison information on page 57, schedule of funding progress on page 58, schedules of the proportionate share of the net pension liabilities on pages 59 and 60, and schedules of contributions on pages 61 and 62 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 Mill Valley School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016 on our consideration of the Mill Valley 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 Mill Valley School District's internal control over financial reporting and compliance.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 7, 2016

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

(PREPARED BY DISTRICT MANAGEMENT)

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

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 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.

**FINANCIAL HIGHLIGHTS**

- The District's financial status improved during the course of the year, as the total net position deficit was reduced by 12.1%.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$3,090,890.
- Net capital assets have decreased \$2,009,329 due to the current year acquisition of \$25,992 of new Furniture and Equipment, and the current year recognition of \$2,035,321 of depreciation expense.
- Total long-term liabilities increased \$4,539,055, due primarily to the current year increase in the District's net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.
- The District's P-2 average daily attendance (ADA) decreased from 3,136 in fiscal year 2014-15, down to 3,117 in fiscal year 2015-16, a decrease of 19 ADA or less than 1%.
- The District's General Fund produced an operating surplus of \$3,459,093, and reported a \$2,671,262 increase in its available reserves, due primarily to the fact that the District received one-time funds for outstanding mandate claims totaling \$1,659,560.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of total General Fund expenditures, transfers out, and other financing uses (total outgo). During fiscal year 2015-16, General Fund expenditures and other financing uses totaled \$40,704,328. At June 30, 2016, the District had available reserves of \$8,439,184 which represents a reserve of 20.7%.

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

(PREPARED BY DISTRICT MANAGEMENT)

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**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, as applicable.
  - ❖ 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 or position (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.

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

(PREPARED BY DISTRICT MANAGEMENT)

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

*Proprietary Funds:*

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

*Fiduciary Funds:*

The District is the trustee, or fiduciary, for its student activity funds. 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. The District currently has no funds of this type

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

(PREPARED BY DISTRICT MANAGEMENT)

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

GOVERNMENTAL ACTIVITIES

<b><u>Comparative Statement of Net Position</u></b>		
	Governmental Activities	
	2015	2016
<b><u>Assets</u></b>		
Deposits and Investments	\$ 17,389,526	\$ 21,001,383
Receivables	890,213	1,243,728
Capital Assets, net	69,796,990	67,787,661
Total Assets	<u>88,076,729</u>	<u>90,032,772</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension Deferrals	3,011,583	4,659,189
<b><u>Liabilities</u></b>		
Current	5,850,545	6,188,601
Long-term	103,662,737	107,962,251
Total Liabilities	<u>109,513,282</u>	<u>114,150,852</u>
<b><u>Deferred Inflows of Resources</u></b>		
Pension Deferrals	7,092,279	2,967,468
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	2,652,009	2,697,383
Restricted for Capital Projects	32,420	96,785
Restricted for Debt Service (Deficit)	(7,193,583)	(6,891,423)
Restricted for Educational Programs	721,258	1,806,823
Restricted for Other Purposes	25,258	23,119
Unrestricted (Deficit)	<u>(21,754,611)</u>	<u>(20,159,046)</u>
Total Net Position (Deficit)	<u>\$ (25,517,249)</u>	<u>\$ (22,426,359)</u>
<i>Table includes financial data of the combined governmental funds.</i>		

The Restricted for Debt Service deficit balances, presented above, primarily reflect that the obligation for accumulated accreted interest on the District's outstanding capital appreciation bonds currently exceeds the amount available in the Bond Interest and Redemption Fund.

The Unrestricted deficit balances, presented above, are due primarily to the fact that the District is now 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.

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

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<b><u>Comparative Statement of Changes in Net Position</u></b>		
	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2016</u>
<b><u>Program Revenues</u></b>		
Charges for Services	\$ 492,571	\$ 632,805
Operating Grants & Contributions	7,511,708	8,678,841
<b><u>General Revenues</u></b>		
Taxes Levied	33,606,058	32,143,187
Federal & State Aid	2,924,890	7,790,936
Interest & Investment Earnings	42,459	35,239
Miscellaneous	1,565,192	1,534,829
<b>Total Revenues</b>	<b><u>46,142,878</u></b>	<b><u>50,815,837</u></b>
<b><u>Expenses</u></b>		
Instruction	26,967,991	28,819,557
Instruction-Related Services	5,550,184	5,883,469
Pupil Services	2,039,215	2,379,562
General Administration	3,267,876	3,290,410
Plant Services	3,459,184	3,515,517
Interest on Long-Term Debt	3,462,864	3,352,067
Other Outgo	169,289	484,365
<b>Total Expenses</b>	<b><u>44,916,603</u></b>	<b><u>47,724,947</u></b>
Changes in Net Position	1,226,275	3,090,890
Net Position, Beginning (Deficit)	<u>(26,743,524)</u>	<u>(25,517,249)</u>
Net Position, Ending (Deficit)	<b><u>\$ (25,517,249)</u></b>	<b><u>\$ (22,426,359)</u></b>
<i>Table includes financial data of the combined governmental funds.</i>		

The District's total current year revenues exceeded total current year expenses by \$3,090,890.

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

(PREPARED BY DISTRICT MANAGEMENT)

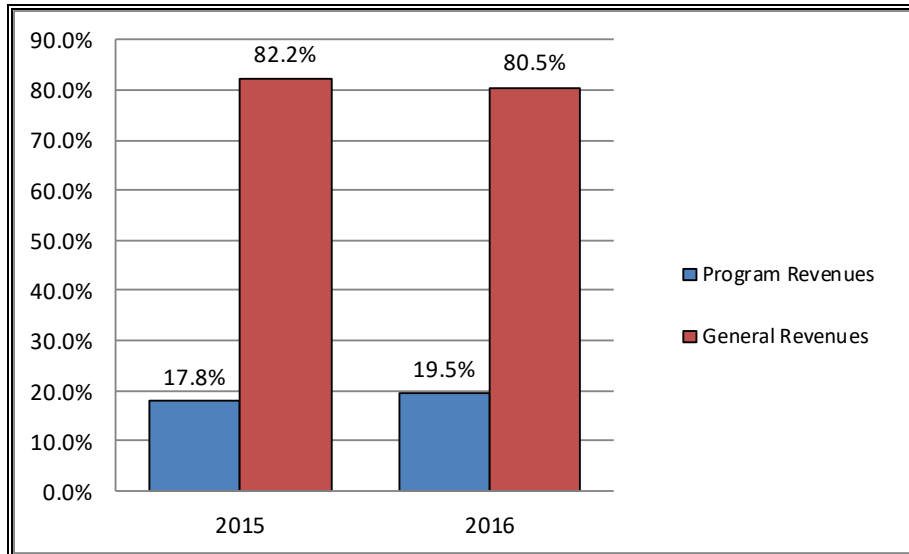
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2015	2016	2015	2016
Instruction	\$ 26,967,991	\$ 28,819,557	\$ 20,902,348	\$ 21,688,526
Instruction-Related Services	5,550,184	5,883,469	4,865,829	5,184,687
Pupil Services	2,039,215	2,379,562	969,141	1,131,101
General Administration	3,267,876	3,290,410	3,132,139	3,197,216
Plant Services	3,459,184	3,515,517	3,458,615	3,507,667
Interest on Long-Term Debt	3,462,864	3,352,067	3,462,864	3,352,067
Other Outgo	169,289	484,365	121,388	352,037
<b>Totals</b>	<b>\$ 44,916,603</b>	<b>\$ 47,724,947</b>	<b>\$ 36,912,324</b>	<b>\$ 38,413,301</b>

*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 \$38,413,301 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



For fiscal year 2015-16, program revenues financed 19.5% of the total cost of providing the services listed above, while the remaining 80.5% was financed by the general revenues of the District.

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

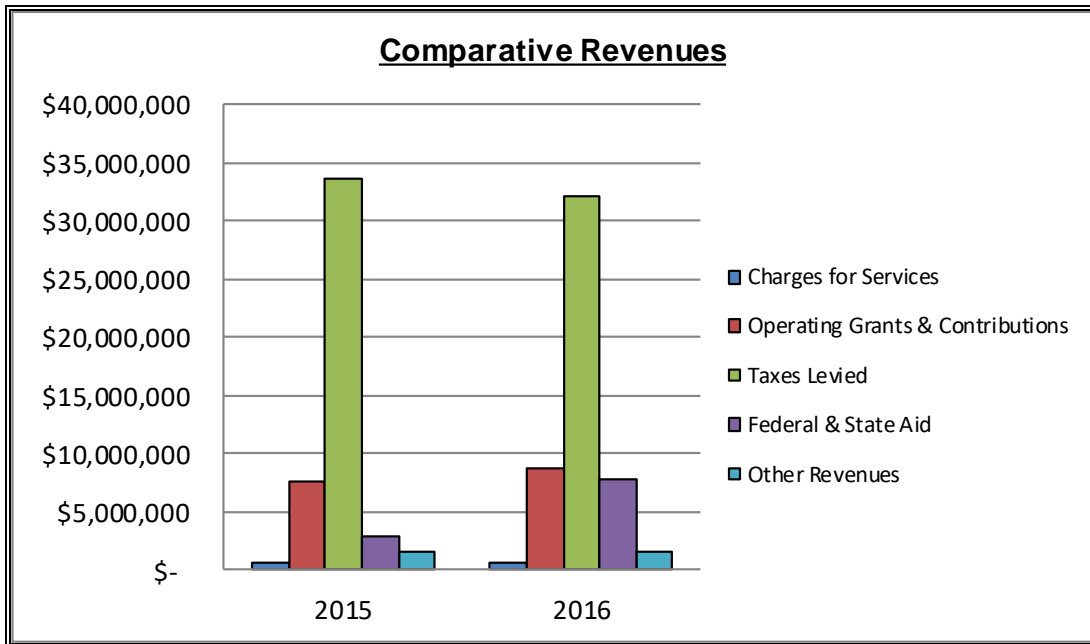
(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<b><u>Summary of Revenues For Governmental Functions</u></b>				
	FYE 2015 Amount	Percent of Total	FYE 2016 Amount	Percent of Total
<b><u>Program Revenues</u></b>				
Charges for Services	\$ 492,571	1.07%	\$ 632,805	1.25%
Operating Grants & Contributions	7,511,708	16.28%	8,678,841	17.08%
<b><u>General Revenues</u></b>				
Taxes Levied	33,606,058	72.83%	32,143,187	63.25%
Federal & State Aid	2,924,890	6.34%	7,790,936	15.33%
Other Revenues	1,607,651	3.48%	1,570,068	3.09%
<b>Total Revenues</b>	<b>\$ 46,142,878</b>	<b>100.00%</b>	<b>\$ 50,815,837</b>	<b>100.00%</b>

*Table includes financial data of the combined governmental funds.*





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

(PREPARED BY DISTRICT MANAGEMENT)

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

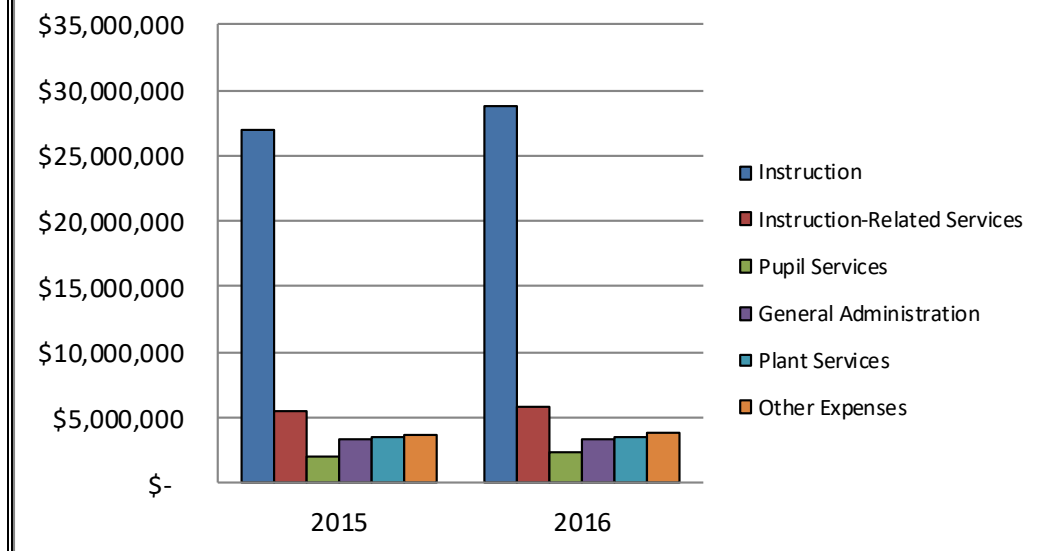
GOVERNMENTAL ACTIVITIES (CONTINUED)

**Summary of Expenses For Governmental Functions**

<u>Expenses</u>	<u>FYE 2015 Amount</u>	<u>Percent of Total</u>	<u>FYE 2016 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 26,967,991	60.04%	\$ 28,819,557	60.39%
Instruction-Related Services	5,550,184	12.36%	5,883,469	12.33%
Pupil Services	2,039,215	4.54%	2,379,562	4.99%
General Administration	3,267,876	7.28%	3,290,410	6.89%
Plant Services	3,459,184	7.70%	3,515,517	7.37%
Other Expenses	3,632,153	8.09%	3,836,432	8.04%
<b>Total Expenses</b>	<b>\$ 44,916,603</b>	<b>100.00%</b>	<b>\$ 47,724,947</b>	<b>100.00%</b>

*Table includes financial data of the combined governmental funds.*

**Comparative Expenses**



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

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<b><u>Comparative Schedule of Capital Assets</u></b>		
	Governmental Activities	
	2015	2016
Land	\$ 1,673,666	\$ 1,673,666
Sites and Improvements	7,984,295	7,984,295
Buildings and Improvements	96,443,572	96,443,572
Furniture and Equipment	465,527	491,519
Subtotals	106,567,060	106,593,052
Less: Accumulated Depreciation	(36,770,070)	(38,805,391)
Capital Assets, net	<u>\$ 69,796,990</u>	<u>\$ 67,787,661</u>

Net capital assets have decreased \$2,009,329 due to the current year acquisition of \$25,992 of new Furniture and Equipment, and the current year recognition of \$2,035,321 of depreciation expense.

<b><u>Comparative Schedule of Long-Term Liabilities</u></b>		
	Governmental Activities	
	2015	2016
Compensated Absences	\$ 97,929	\$ 107,094
General Obligation Bonds: Current Interest	59,800,000	59,725,000
General Obligation Bonds: Capital Appreciation	17,828,695	15,789,845
Bond Premium	435,997	417,894
Other Post Employment Benefits	1,997,452	2,172,062
Net Pension Liability - CalSTRS	21,119,853	25,743,312
Net Pension Liability - CalPERS	5,505,349	7,369,123
Totals	<u>\$ 106,785,275</u>	<u>\$ 111,324,330</u>

Total long-term liabilities increased \$4,539,055, due primarily to the current year increase in the District's net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

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

(PREPARED BY DISTRICT MANAGEMENT)

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

**GOVERNMENTAL ACTIVITIES (CONCLUDED)**

The general obligation bonds are financed by the local taxpayers and represent 68.2% of the District's total long-term liabilities. The District has satisfied all of its debt service requirements for its bonded debt and continues to maintain an excellent credit rating on all of its debt issues. 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**

<b><u>Comparative Schedule of Fund Balances</u></b>			
	Fund Balances June 30, 2015	Fund Balances June 30, 2016	Increase (Decrease)
General	\$ 11,201,261	\$ 14,660,354	\$ 3,459,093
Bond Interest & Redemption	4,739,781	4,965,269	225,488
Deferred Maintenance	5,588	0	(5,588)
Cafeteria	19,758	17,619	(2,139)
Capital Facilities	32,420	96,785	64,365
Capital Projects - Special Reserve	566,577	692,793	126,216
Totals	<u>\$ 16,565,385</u>	<u>\$ 20,432,820</u>	<u>\$ 3,867,435</u>

The fund balance of the General Fund increased \$3,459,093 during fiscal year 2015-16, and the combined fund balances of all other District governmental funds increased \$408,342.

**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. The original budget, approved at the end of June, is based on May Revise figures and updated 45 days after the State approves its final budget. Over the course of the year, the District revised the annual operating budget on numerous occasions. The significant budget adjustments fell into the following categories:

- ◆ Budget revisions to the adopted budget required after approval of the State budget.
- ◆ Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- ◆ Adjustments at First and Second Interim.
- ◆ Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

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

(PREPARED BY DISTRICT MANAGEMENT)

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

- On November 4, 2008, the qualified voters of the District voted to approve a measure to authorize the amendment of the existing special tax for the purpose of providing specified educational programs, increasing the amount of the tax and extending the length of the tax for a period of four additional years. Under the amended special tax, the parcel tax shall increase to \$663.38 beginning July 1, 2009, and the 5% annual rate adjustments will continue beginning July 1, 2010, until the new expiration date of June 30, 2018. On November 8, 2016, the qualified voters of the District voted to approve a measure to renew the existing measure and authorize the District to collect a tax of \$980 per parcel, beginning in 2017-18, including 5 percent annual increases for 12 years to provide school funds.
- On November 6, 2012 the qualified voters of the District voted to approve a measure to authorize a special tax for the purpose of providing specified educational programs for a period of eight years. The special tax of \$196.00 per year per parcel commences July 1, 2013, and adjusts annually commensurate with the annual percentage increase to the San Francisco-Oakland-San Jose Price Index (CPI), not to exceed 3% per year and expires June 30, 2021.
- The employer contribution rates for CalSTRS and CalPERS will continue to increase on an annual basis for the foreseeable future. In addition, the economy has finished its seventh year of expansion, lasting two years longer than the average recovery. The Governor and Department of Finance continue to urge the Legislature and local governments, including local education agencies, to plan for the next recession.
- Accordingly, the District's budget will 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, Mill Valley School District, 411 Sycamore Avenue, Mill Valley, California 94941.

## BASIC FINANCIAL STATEMENTS

**MILL VALLEY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Foundation</b>
<b><u>Assets</u></b>		
Deposits and Investments (Note 2)	\$ 21,001,383	\$ 8,580,816
Receivables (Note 3)	1,243,728	461,614
Capital Assets (Note 5)		
Land	1,673,666	
Sites and Improvements	7,984,295	
Buildings and Improvements	96,443,572	
Furniture and Equipment	491,519	12,077
Less: Accumulated Depreciation	(38,805,391)	(6,969)
Total Assets	<u>90,032,772</u>	<u>9,047,538</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension Deferrals (Note 8)	4,659,189	
Total Deferred Outflows of Resources	<u>4,659,189</u>	<u>0</u>
<b><u>Liabilities</u></b>		
Accounts Payable and Other Current Liabilities	1,790,737	29,997
Accrued Interest Payable	1,014,231	
Unearned Revenue (Note 1H)	21,554	
Long-Term Liabilities:		
<i>Portion Due or Payable Within One Year:</i>		
Compensated Absences	107,094	
General Obligation Bonds		
Current Interest	180,000	
Capital Appreciation	3,056,881	
Bond Premium	18,104	
<i>Portion Due or Payable After One Year:</i>		
General Obligation Bonds (Note 6)		
Current Interest	59,545,000	
Capital Appreciation	12,732,964	
Bond Premium	399,790	
Other Post Employment Benefits (Note 7)	2,172,062	
Net Pension Liabilities (Note 8)	33,112,435	
Total Liabilities	<u>114,150,852</u>	<u>29,997</u>
<b><u>Deferred Inflows of Resources</u></b>		
Pension Deferrals (Note 8)	2,967,468	
Total Deferred Inflows of Resources	<u>2,967,468</u>	<u>0</u>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	2,697,383	5,108
Restricted:		
For Capital Projects	96,785	
For Debt Service	(6,891,423)	
For Educational Programs	1,806,823	
For Other Purposes	23,119	1,272,377
Unrestricted (Deficit)	(20,159,046)	7,740,056
Total Net Position (Deficit)	<u>\$ (22,426,359)</u>	<u>\$ 9,017,541</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

<b>Functions</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Primary Government Governmental Activities</b>	<b>Component Unit Foundation</b>
<b><u>Governmental Activities</u></b>					
Instruction	\$ 28,819,557		\$ 7,131,031	\$ (21,688,526)	
Instruction-Related Services:					
Supervision of Instruction	900,945		182,964	(717,981)	
Instructional Library and Technology	1,245,177		347,776	(897,401)	
School Site Administration	3,737,347		168,042	(3,569,305)	
Pupil Services:					
Food Services	759,990	\$ 632,805	79,802	(47,383)	
Other Pupil Services	1,619,572		535,854	(1,083,718)	
General Administration:					
Data Processing Services	736,674			(736,674)	
Other General Administration	2,553,736		93,194	(2,460,542)	
Plant Services	3,515,517		7,850	(3,507,667)	
Interest on Long-Term Debt	3,352,067			(3,352,067)	
Other Outgo	484,365		132,328	(352,037)	
Total Governmental Activities	<u>\$ 47,724,947</u>	<u>\$ 632,805</u>	<u>\$ 8,678,841</u>	<u>(38,413,301)</u>	
<b><u>Component Unit</u></b>					
Foundation	<u>\$ 3,425,429</u>				<u>\$ (3,425,429)</u>
<b><u>General Revenues</u></b>					
Taxes Levied for General Purposes				16,276,895	
Taxes Levied for Debt Service				5,698,627	
Taxes Levied for Specific Purposes				10,167,665	
Federal and State Aid - Unrestricted				7,790,936	
Interest and Investment Earnings				35,239	
Grants and Contributions - Unrestricted					2,866,226
Miscellaneous				1,534,829	
Total General Revenues				<u>41,504,191</u>	<u>2,866,226</u>
Change in Net Position				3,090,890	(559,203)
Net Position (Deficit) - July 1, 2015				<u>(25,517,249)</u>	<u>9,576,744</u>
Net Position (Deficit) - June 30, 2016				<u>\$ (22,426,359)</u>	<u>\$ 9,017,541</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>				
Deposits and Investments (Note 2)	\$ 15,242,435	\$ 4,965,269	\$ 793,679	\$ 21,001,383
Receivables (Note 3)	1,229,744		13,984	1,243,728
Total Assets	<u>\$ 16,472,179</u>	<u>\$ 4,965,269</u>	<u>\$ 807,663</u>	<u>\$ 22,245,111</u>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Accounts Payable	\$ 1,790,271		\$ 466	\$ 1,790,737
Unearned Revenue (Note 1H)	21,554			21,554
Total Liabilities	<u>1,811,825</u>		<u>466</u>	<u>1,812,291</u>
Fund Balances: (Note 10)				
Nonspendable	5,500			5,500
Restricted	1,806,823	\$ 4,965,269	114,404	6,886,496
Assigned	4,408,847		692,793	5,101,640
Unassigned	8,439,184			8,439,184
Total Fund Balances	<u>14,660,354</u>	<u>4,965,269</u>	<u>807,197</u>	<u>20,432,820</u>
Total Liabilities and Fund Balances	<u>\$ 16,472,179</u>	<u>\$ 4,965,269</u>	<u>\$ 807,663</u>	<u>\$ 22,245,111</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS



**MILL VALLEY SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Total Fund Balances - Governmental Funds** \$ 20,432,820

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	\$ 106,593,052	
Accumulated Depreciation	(38,805,391)	
Net		67,787,661

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. Net deferred outflows and inflows are:

1,691,721

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

(1,014,231)

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

Compensated Absences	\$ 107,094	
General Obligation Bonds:		
Current Interest	59,725,000	
Capital Appreciation	15,789,845	
Bond Premium	417,894	
Other Post Employment Benefits	2,172,062	
Net Pension Liability - CalSTRS	25,743,312	
Net Pension Liability - CalPERS	7,369,123	
Total		(111,324,330)

**Total Net Position - Governmental Activities** \$ (22,426,359)

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

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>				
LCFF Sources:				
State Apportionment / Transfers	\$ 5,854,218			\$ 5,854,218
Local Taxes	16,276,895			16,276,895
Total LCFF Sources	22,131,113			22,131,113
Federal Revenue	893,903		\$ 76,697	970,600
State Revenue	4,076,202	\$ 26,146	3,091	4,105,439
Local Revenue	17,062,203	5,682,784	863,698	23,608,685
Total Revenues	44,163,421	5,708,930	943,486	50,815,837
<b><u>Expenditures</u></b>				
Current:				
Instruction	26,884,964			26,884,964
Supervision of Instruction	839,236			839,236
Instructional Library and Technology	1,172,201			1,172,201
School Site Administration	3,360,332			3,360,332
Food Services			724,746	724,746
Other Pupil Services	1,521,581			1,521,581
Data Processing Services	692,544			692,544
Other General Administration	2,403,296		7,884	2,411,180
Plant Services	3,325,006		5,593	3,330,599
Facilities Acquisition and Construction	10,803		32,409	43,212
Other Outgo	484,365			484,365
Debt Service:				
Principal Retirement		3,020,617		3,020,617
Interest and Issuance Costs		2,462,825		2,462,825
Total Expenditures	40,694,328	5,483,442	770,632	46,948,402
Excess of Revenues Over Expenditures	3,469,093	225,488	172,854	3,867,435
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In			135,000	135,000
Operating Transfers Out	(10,000)		(125,000)	(135,000)
Total Other Financing Sources (Uses)	(10,000)	0	10,000	0
Net Change in Fund Balances	3,459,093	225,488	182,854	3,867,435
Fund Balances - July 1, 2015	11,201,261	4,739,781	624,343	16,565,385
Fund Balances - June 30, 2016	\$ 14,660,354	\$ 4,965,269	\$ 807,197	\$ 20,432,820

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

**Net Change in Fund Balances - Governmental Funds** \$ 3,867,435

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

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

Capital Outlays	\$	25,992	
Depreciation Expense		<u>(2,035,321)</u>	
Net			(2,009,329)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned during the fiscal year. The difference between amounts paid and amounts earned was: (9,165)

Post employment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs accrued and employer contributions was: (174,610)

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:

General Obligation Bonds - Current Interest	\$	75,000	
General Obligation Bonds - Capital Appreciation		2,945,617	
Bond Premium		18,103	
Total		<u>3,038,720</u>	3,038,720

Pensions: In government 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: (714,816)

Accreted interest: In governmental funds, accreted interest on capital appreciation bonds is recognized as an expenditure in the period that it becomes due. In the government-wide statements, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current period was: (906,767)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, interest expense is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (578)

**Change in Net Position of Governmental Activities** \$ 3,090,890

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

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Mill Valley 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 Education elected by registered voters of the District, which comprises an area in Marin County. The District was established in 1891 and serves students in kindergarten through grade eight.

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

The financial reporting entity consists of the following:

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

The nucleus of a financial reporting entity is usually a primary government. Governmental Accounting Standards Board (GASB) Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*, defines a *primary government* as any state government, general-purpose local government, or special-purpose government that meets all of the following criteria:

- It has a separately elected governing body
- It is legally separate
- It is fiscally independent of other state and local governments

The primary government consists of all funds that make up the legal entity. The primary government also consists of funds for which it has a fiduciary responsibility, even though those funds may represent organizations that do not meet the definition for inclusion in the financial reporting entity.

Component units include legally separate organizations (whether governmental, not-for-profit, or for-profit organizations) for which elected officials of the primary government are financially accountable. A primary government is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board.

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

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

**A. Financial Reporting Entity (Concluded)**

The primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization.

An organization can provide a financial benefit to, or impose a financial burden on, a primary government in a variety of ways. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists:

- The primary government is legally entitled to or can otherwise access the organization's resources.
- The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- The primary government is obligated in some manner for the debt of the organization.

In addition, GASB 61 also requires certain organizations to be included as component units if the nature and significance of their relationship with the primary government are such that excluding them would cause the financial reporting entity's financial statements to be misleading.

Based on the GASB 61 criteria and definitions, the District is the primary government and there are no material potential component units which should be included in the Financial Reporting Entity in these financial statements.

GASB 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 all of the following criteria are met:

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

The District has determined that the Mill Valley Schools Community Foundation, Kiddo!, (the Foundation), a non-profit, public benefit corporation, meets the criteria set forth in GASB 39.

*Component Unit:*

The Foundation was established as a legally separate non-profit entity to support the District through fundraising activities. In addition, funds contributed by the Foundation to the District are significant to the District's financial statements. Therefore, the District has classified the Foundation as a component unit that will be discretely presented in the District's annual financial statements.

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

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units. The effect of interfund activity, within the governmental and business type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Fund Financial Statements:

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

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

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

**C. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. 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. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

**Expenses/Expenditures:**

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting.

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

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate.

District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District maintains the following governmental fund types:

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

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

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

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

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

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for and report all financial resources not accounted for and reported in another fund. In accordance with Governmental Accounting Standards Board Statement No. 54 (GASB 54), the financial activities and balances of the Special Reserve for Postemployment Benefits Fund has been combined with the General Fund for financial reporting purposes.

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



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

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

Non-major Governmental Funds:

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

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

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

The *Capital Projects - Special Reserve Fund* is used to accumulate funds for major maintenance and capital outlay projects of the District. The proceeds from major dispositions of District property are accounted for in this fund.

E. Budgets and Budgetary Accounting

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

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

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

F. Use of Estimates

The preparation of financial statements in conformity with 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.

G. Encumbrances

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

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

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

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

**1. Deposits and Investments**

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

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001).

The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

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

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

**2. Capital Assets**

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

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	20
Buildings and Improvements	5-50
Furniture and Equipment	8-14

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

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Deferred Outflows/Inflows of Resources

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

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

4. Unearned Revenue

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

5. 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.

6. 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.

7. Long-term Liabilities

In the government-wide financial statements, long-term obligations are reported as long-term liabilities in the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount.

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

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Long-term Liabilities (Concluded)

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

8. Fund Balances

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 used in the governmental fund financial statements are as follows:

*Nonspendable Fund Balance* includes amounts not in spendable form, such as inventory, or amounts required to be maintained intact legally or contractually (principal endowment) (e.g. pre-paid items, permanent scholarships).

*Restricted Fund Balance* includes funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation (e.g. debt service, capital projects, state and federal grant funds).

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

*Assigned Fund Balance* consists of funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance. The Governing Board delegated authority to the Superintendent and/or their designee to identify intended uses of assigned funds.

*Unassigned Fund Balance* consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. The District established a minimum fund balance policy which requires a reserve for economic uncertainties, consisting of unassigned amounts equal to three (3) percent of general fund operating expenditures and other financing uses. In addition, in order to build a fiscally prudent reserve, the Governing Board has designated a target of two times the current year differential between community funded property taxes and the state aid funding guarantee.

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

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

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

8. Fund Balances (Concluded)

At a minimum, the District reserve fund shall be at least the current year differential between community funded property taxes and the state aid funding guarantee; or one month's average operating expenditures, whichever is greater.

The District considers restricted fund balances to have been spent first when 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.

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

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

The County of Marin is responsible for assessing, collecting and apportioning property taxes to the District. Taxes are levied for each fiscal year on taxable real and personal property in the county.

The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

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

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

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

	<u>Governmental Activities</u>
Cash in Revolving Fund	\$ 5,500
County Pool Investments	<u>20,995,883</u>
Total Deposits and Investments	<u>\$ 21,001,383</u>

Cash on Hand and in Banks / Cash in Revolving Fund

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

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 schedule below:

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

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

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

General Authorization (Concluded)

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

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

Segmented Time Distribution

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

Investment Type	Carrying Value	Fair Value	Less Than 1 Year	More Than 1 Year
County Pool Investments	\$ 20,995,883	\$ 21,024,572	\$ 17,556,659	\$ 3,439,224

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.

Investment Type	Carrying Value	Fair Value	Rating as of Year End		
			AAA	Aa	Unrated
County Pool Investments	\$ 20,995,883	\$ 21,024,572			\$ 20,995,883

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

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

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

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

Custodial Credit Risk - Investments

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

Derivative Investments

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

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2016 consist of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government	\$ 578,285	\$ 3,953	\$ 582,238
State Government	397,327	151	397,478
Local Governments	215,224		215,224
Miscellaneous	38,908	9,880	48,788
Totals	<u>\$ 1,229,744</u>	<u>\$ 13,984</u>	<u>\$ 1,243,728</u>



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

**NOTE 4 - INTERFUND ACTIVITIES**

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

**Interfund Transfers**

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

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General		\$ 10,000
Cafeteria	\$ 10,000	
Capital Facilities		125,000
Capital Projects - Special Reserve	<u>125,000</u>	<u>          </u>
Totals	<u>\$ 135,000</u>	<u>\$ 135,000</u>

Transfer of \$10,000 from General Fund to the Cafeteria Fund to supplement the child nutrition program.

Transfer of \$125,000 from the Capital Facilities Fund to the Capital Projects - Special Reserve Fund to repay funds borrowed in prior year.

**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION**

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

	<u>Balances</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2016</u>
Land	\$ 1,673,666			\$ 1,673,666
Sites and Improvements	7,984,295			7,984,295
Buildings and Improvements	96,443,572			96,443,572
Furniture and Equipment	465,527	\$ 25,992		491,519
Totals at Historical Cost	<u>106,567,060</u>	<u>25,992</u>	<u>\$ 0</u>	<u>106,593,052</u>
Less Accumulated Depreciation for:				
Sites and Improvements	3,467,137	272,437		3,739,574
Buildings and Improvements	32,971,160	1,737,457		34,708,617
Furniture and Equipment	331,773	25,427		357,200
Total Accumulated Depreciation	<u>36,770,070</u>	<u>2,035,321</u>	<u>0</u>	<u>38,805,391</u>
Governmental Activities				
Capital Assets, net	<u>\$ 69,796,990</u>	<u>\$ (2,009,329)</u>	<u>\$ 0</u>	<u>\$ 67,787,661</u>

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

**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)**

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 1,336,502
Supervision of Instruction	41,781
Instructional Library and Technology	57,745
School Site Administration	173,319
Food Services	35,244
Other Pupil Services	75,107
Data Processing Services	34,163
Other General Administration	118,429
Plant Services	<u>163,031</u>
 Total	 <u>\$ 2,035,321</u>

**NOTE 6 - GENERAL OBLIGATION BONDS**

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

**A. Current Interest Bonds**

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2015	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2016
3/9/10	3.00-5.00	8/1/34	\$ 29,195,000	\$ 29,195,000			\$ 29,195,000
4/19/12	2.00-4.25	8/1/39	<u>30,605,000</u>	<u>30,605,000</u>		<u>75,000</u>	<u>30,530,000</u>
Totals			<u>\$ 59,800,000</u>	<u>\$ 59,800,000</u>	<u>\$ 0</u>	<u>\$ 75,000</u>	<u>\$ 59,725,000</u>

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

Year Ended June 30	Principal	Interest	Totals
2017	\$ 180,000	\$ 2,459,400	\$ 2,639,400
2018	285,000	2,453,325	2,738,325
2019	405,000	2,442,975	2,847,975
2020	530,000	2,428,950	2,958,950
2021	665,000	2,411,675	3,076,675
2022-2026	5,695,000	11,599,350	17,294,350
2027-2031	10,990,000	9,921,888	20,911,888
2032-2036	18,720,000	6,649,487	25,369,487
2037-2041	<u>22,255,000</u>	<u>1,877,813</u>	<u>24,132,813</u>
Totals	<u>\$ 59,725,000</u>	<u>\$ 42,244,863</u>	<u>\$ 101,969,863</u>

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

**NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)**

**B. Capital Appreciation Bonds**

<u>Date of Issue</u>	<u>Accretion Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2015</u>	<u>Accreted Interest Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2016</u>
8/2/94	6.30-6.40	8/1/19	\$ 2,889,198	\$ 3,425,315	\$ 181,325	\$ 695,617	\$ 2,911,022
8/1/95	6.45-6.70	8/1/20	2,731,793	3,551,909	201,341	620,000	3,133,250
2/1/96	5.70-5.85	8/1/20	4,680,809	5,557,985	275,870	975,000	4,858,856
7/23/98	5.05-5.30	7/1/23	<u>3,417,300</u>	<u>5,293,486</u>	<u>248,231</u>	<u>655,000</u>	<u>4,886,717</u>
<b>Totals</b>			<b>\$ 13,719,100</b>	<b>\$ 17,828,695</b>	<b>\$ 906,767</b>	<b>\$ 2,945,617</b>	<b>\$ 15,789,845</b>

The outstanding obligation for the capital appreciation serial and term bonds at June 30, 2016, was as follows:

<u>Year Ended June 30</u>	<u>Accretion Rate %</u>	<u>Amount of Original Issue (Principal)</u>	<u>Accreted Interest</u>	<u>Totals</u>
2016	5.10-6.50	\$ 934,979	\$ 2,121,902	\$ 3,056,881
2017	5.15-6.55	918,270	2,093,765	3,012,035
2018	5.15-6.60	893,553	2,064,043	2,957,596
2019	5.20-6.65	877,912	2,036,223	2,914,135
2020	5.20-6.70	678,575	1,464,472	2,143,047
2021-2025	5.25-6.70	<u>669,520</u>	<u>1,036,631</u>	<u>1,706,151</u>
<b>Totals</b>		<b>\$ 4,972,809</b>	<b>\$ 10,817,036</b>	<b>\$ 15,789,845</b>

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 934,979	\$ 2,136,731	\$ 3,071,710
2017	918,270	2,291,936	3,210,206
2018	893,553	2,452,690	3,346,243
2019	877,912	2,622,088	3,500,000
2020	678,575	2,041,425	2,720,000
2021-2025	<u>669,520</u>	<u>1,670,479</u>	<u>2,339,999</u>
<b>Totals</b>	<b>\$ 4,972,809</b>	<b>\$ 13,215,349</b>	<b>\$ 18,188,158</b>

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

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB)**

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

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

**Classified** - Retirees who are at least age 55, with at least 20 years of employment with the District, of which at least 10 years were full-time service, and currently employed by the District at the time of retirement.

**Certificated** - Employees who are between 55 and 62 years old and have at least 20 full-time years of service with the District may elect to retire under the Medical Option II. In lieu of 20 years, certificated employees who are at least 50 on July 1, 2011, need at least 10 full-time years of service with the District at retirement or are between age 45 and age 49 on July 1, 2011 need at least 15 full-time years of service with the District at retirement to retire under Medical Option II. Employees who were employed by the District before June 30, 2007, and have at least 25 years of District service at retirement are also eligible to receive a District paid medical benefit.

The District and retirees share in the cost of benefits as follows:

*Medical Benefits:*

**Classified** - The District pays for classified retirees and their dependents, the cost of CalPERS medical premiums up to a fixed dollar cap based on the elected coverage. The negotiated capped amounts for calendar years 2015 and 2016 were as follows:

	2015			2016		
	Single	Two Party	Family	Single	Two Party	Family
Hired before July 1, 2012	\$ 742.72	\$ 1,485.44	\$ 1,759.64	\$ 746.47	\$ 1,492.94	\$ 1,813.75
Hired on or after July 1, 2012	742.72	1,485.44	1,556.30	746.47	1,492.94	1,589.60

The District will pay the above amounts for up to 5 years after retirement or until age 65, whichever comes first. For employees who retire on or after June 30, 2018, the medical premium amount the District will pay will be capped at the rate that exists at the retirement date for all future years. After the earlier of five years after retirement or age 65, the District will pay the retiree \$1,000 per year toward the cost of medical premiums until age 70. However, for any eligible retiree who elects continuation of CalPERS Health Plan coverage, the District will pay at least the minimum monthly premium amount specified by CalPERS under the "unequal method", and the retiree will pay the remaining premium amount. The minimum premium amount is \$67.10 per month for 2015 and \$75.00 per month for 2016.

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

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

*Plan Description (Continued):*

Certificated - For certificated retirees who elect Medical Option II upon early retirement, the District pays for retirees and their dependents, the cost of CalPERS medical premiums up to a fixed dollar cap based on the elected coverage. The negotiated capped amounts for calendar years 2015 and 2016 were as follows:

	2015			2016		
	Single	Two Party	Family	Single	Two Party	Family
Hired before July 1, 2012	\$ 742.72	\$ 1,485.44	\$ 1,759.64	\$ 746.47	\$ 1,492.94	\$ 1,813.75
Hired on or after July 1, 2012	742.72	1,485.44	1,556.30	746.47	1,492.94	1,589.60

For certificated employees hired before June 30, 2007 and who retire with at least 25 years of service, but do not elect the Medical Option II, the District pays for retirees and their dependents, the cost of CalPERS medical premiums up to a fixed dollar cap described above for a 3 year period.

If during the 3 year period, the retiree reaches age 65, the District will pay the Medicare Supplement premium plus the Medicare Part B premium, subject to the fixed dollar District cap. For retirees who retire before July 1, 2016, the District will pay the active cap set each year. For employees retired on or after July 1, 2016, the District will pay the capped amount that exists at the retirement date for all future years. After the 3 year period (or age 65 for Medical Option II retirees), retirees may elect continuation of CalPERS Health Plan coverage, in which case the District will pay the minimum monthly premium amount specified by CalPERS under the "unequal method" and the retiree will pay the balance. The minimum premium amount is \$67.10 per month for 2015 and \$75.00 per month for 2016.

**Employee Contributions for Prefunding Medical Benefits:**

Beginning in July 1, 2011, active full time classified employees will pay \$150 per year into an irrevocable trust fund for the sole purpose of prefunding the retiree medical benefit. If the employee terminates employment from the District after 5 years of service but prior to retirement, the accumulated contributions (without interest) will be refunded to the employee. The annual \$150 contribution from actives has ceased effective January 1, 2016.

Beginning in February 1, 2011, active full time certificated employees will pay \$350 per year into an irrevocable trust fund for the sole purpose of prefunding the retiree medical benefit. If the employee terminates employment from the District after 5 years of service but prior to retirement, the accumulated contributions (without interest) will be refunded to the employee. The annual \$350 contribution from actives has ceased effective January 1, 2016.

**Dental and Vision Benefits:**

Retirees and their spouses may continue dental and vision coverage upon retirement. The entire cost of the premiums is paid for by retirees. The District paid dental and vision benefits will expire on the same date as the District paid medical benefits expire for these retirees. The District will not pay for dental or vision coverage for any other current or future retirees. There is a group of retirees for whom the District is paying dental coverage and vision coverage.

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

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

*Plan Description (Concluded):*

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 312 eligible active employees and 47 eligible retirees covered under the OPEB plan as of July 1, 2015, the effective date of the biennial OPEB valuation. For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

*Funding Policy:* During fiscal year 2012-13, the District joined the California Employers' Retiree Benefit Trust (CERBT) Fund - an investment vehicle that can be used by all California public employers to prefund future retiree health and other post employment benefit costs. The Trust is administered by CalPERS. The District made annual contributions of \$600,000 during fiscal years 2013-14, 2014-15, and 2015-16, for the sole purpose of prefunding retiree medical benefit costs. The District will continue to pay for post employment health care benefits on a pay-as-you-go basis.

*Annual OPEB Cost and Net OPEB Obligation:* The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2016, the amount actually contributed to the plan, and changes in the District's net OPEB obligation that resulted in a net OPEB obligation of \$2,172,062 for the year ended June 30, 2016:

Calculation of ARC under Projected Unit Credit Cost Method

Annual required contribution (ARC)	\$	945,212
Interest on net OPEB obligation		139,822
Adjustment to ARC		<u>(191,166)</u>
Annual OPEB cost (expense)		893,868
Contributions for the fiscal year		<u>(719,258)</u>
Increase in net OPEB obligation		174,610
Net OPEB obligation - June 30, 2015		<u>1,997,452</u>
Net OPEB obligation - June 30, 2016	\$	<u><u>2,172,062</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 893,868	80.5%	\$ 2,175,062
June 30, 2015	632,858	106.5%	1,997,452
June 30, 2014	641,553	104.4%	2,038,877

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

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)**

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement and other factors that affect the number of people eligible to receive future retiree benefits. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

In the July 1, 2015, actuarial valuation, the liabilities were computed using the projected unit credit cost method and the District's unfunded actuarial accrued liability (UAAL) is being amortized using the level percentage of projected payroll method over 20 years on a "closed" basis starting on July 1, 2008. The remaining amortization period on July 1, 2015 for the 2015-16 fiscal year was 13 years. The actuarial assumptions utilized a 7.00% discount rate, the expected long-term rate of return on District assets. The compensation increase rate of 3.00% was provided by the District and based on the historical per annum increase. The valuation assumes an initial health care cost trend rate of 6.50% which grades down to an ultimate rate of 4.5% by 2089 and beyond.

**NOTE 8 - RETIREMENT PLANS**

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

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

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
CalSTRS	\$ 25,743,312	\$ 3,200,682	\$ 2,302,309
CalPERS	7,369,123	1,458,507	665,159
Totals	<u>\$ 33,112,435</u>	<u>\$ 4,659,189</u>	<u>\$ 2,967,468</u>

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

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NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

Plan Description

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

Benefits Provided

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

The STRP Defined Benefit Program has two benefit formulas:

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

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

CalSTRS 2% at 60

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



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

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NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Concluded)

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

CalSTRS 2% at 62

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

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

Contributions

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

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

Employers: Pursuant to Chapter 47, Statutes of 2014 (AB 1469 - Bonta), the employer contribution rate was 10.73% of applicable member earnings for fiscal year 2015-16. The District contributed \$1,919,844 to the plan for the fiscal year ended June 30, 2016.

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

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

NOTE 8 - 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

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

District's proportionate share of the net pension liability	\$ 25,743,312
State's proportionate share of the net pension liability associated with the District	545,195
Total net pension liability attributed to District	\$ 26,288,507

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

Proportion - June 30, 2014	0.0361%
Proportion - June 30, 2015	0.0382%
Change - Increase (Decrease)	0.0021%

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$3,992,812, inclusive of \$1,187,915 of support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 1,919,844	
Differences between expected and actual experience		\$ 430,014
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,280,838	
Net differences between projected and actual earnings on plan investments		1,872,295
Totals	\$ 3,200,682	\$ 2,302,309

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

NOTE 8 - 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)

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

Year Ended June 30	
2017	\$ (651,306)
2018	(651,306)
2019	(651,306)
2020	648,839
2021	141,804
2022	141,804

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

Actuarial Methods and Assumptions

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

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

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

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

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods and Assumptions (Concluded)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

\* 10-year geometric average

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases as per AB 1469 - Bonta. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expenses occur midyear.

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

**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

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

*Discount Rate (Concluded)*

Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Discount Rate 1% Decrease 6.60%	Discount Rate Current Rate 7.60%	Discount Rate 1% Increase 8.60%
District's proportionate share of the net pension liability	\$ 38,870,397	\$ 25,743,312	\$ 14,833,645

*Pension Plan's Fiduciary Net Position*

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

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

*Plan Description, Benefits Provided, and Employees Covered*

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

The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

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

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NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

*Plan Description, Benefits Provided, and Employees Covered (Concluded)*

CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 6.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2016 was 11.847% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2016 was \$672,317.

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

As of June 30, 2016, the District reported a liability of \$7,369,123 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2014 and June 30, 2015 was as follows:

Proportion - June 30, 2014	0.0485%
Proportion - June 30, 2015	<u>0.0500%</u>
Change - Increase (Decrease)	<u><u>0.0015%</u></u>

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$502,080. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 672,317	
Differences between expected and actual experience	424,788	
Changes of assumptions		\$ 456,684
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	361,402	
Net differences between projected and actual earnings on plan investments		<u>208,475</u>
Totals	<u>\$ 1,458,507</u>	<u>\$ 665,159</u>

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

<u>Year Ended June 30</u>	
2017	\$ (28,801)
2018	(28,801)
2019	(123,942)
2020	302,575

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

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

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NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions

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

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

- (1) Net of pension plan investment and administrative expenses, includes inflation  
(2) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

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

Discount Rate

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

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



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

**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

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

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

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

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

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

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

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

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

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

**NOTE 8 - RETIREMENT PLANS (CONCLUDED)**

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

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

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

	Discount Rate 1% Decrease 6.50%	Discount Rate Current Rate 7.50%	Discount Rate 1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 11,993,862	\$ 7,369,123	\$ 3,523,344

*Pension Plan Fiduciary Net Position*

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

**C. Social Security**

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

**NOTE 9 - LONG-TERM LIABILITIES**

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

	Balances July 1, 2015	Additions	Deductions	Balances June 30, 2016	Due within One Year
Compensated Absences	\$ 97,929	\$ 107,094	\$ 97,929	\$ 107,094	\$ 107,094
General Obligation Bonds:					
Current Interest	59,800,000		75,000	59,725,000	180,000
Capital Appreciation	17,828,695	906,767	2,945,617	15,789,845	3,056,881
Bond Premium	435,997		18,103	417,894	18,104
Other Post Employment Benefits	1,997,452	893,868	719,258	2,172,062	
Net Pension Liability - CalSTRS	21,119,853	4,623,459		25,743,312	
Net Pension Liability - CalPERS	5,505,349	1,863,774		7,369,123	
Totals	\$ 106,785,275	\$ 8,394,962	\$ 3,855,907	\$ 111,324,330	\$ 3,362,079

The general obligation bonds are obligations of the Bond Interest & Redemption Fund.

All other long-term liabilities are obligations of the General Fund.

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

**NOTE 10 - FUND BALANCES**

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

	General Fund	Bond Interest & Redemption Fund	Non-Major Governmental Fund	Totals
<b>Nonspendable:</b>				
Revolving Cash	\$ 5,500			\$ 5,500
Total Nonspendable	<u>5,500</u>			<u>5,500</u>
<b>Restricted:</b>				
Categorical Programs	747,311		\$ 17,619	764,930
Debt Service		\$ 4,965,269		4,965,269
Developer Fees			96,785	96,785
Donor Restricted	1,059,512			1,059,512
Total Restricted	<u>1,806,823</u>	<u>4,965,269</u>	<u>114,404</u>	<u>6,886,496</u>
<b>Assigned:</b>				
STRS Reserve	3,472,328			3,472,328
Other Post Employment Benefits	936,519		692,793	1,629,312
Total Assigned	<u>4,408,847</u>	<u>0</u>	<u>692,793</u>	<u>5,101,640</u>
<b>Unassigned:</b>				
Reserve for Economic Uncertainties	8,439,184			8,439,184
Total Unassigned	<u>8,439,184</u>	<u>0</u>	<u>0</u>	<u>8,439,184</u>
Total Fund Balances	<u>\$ 14,660,354</u>	<u>\$ 4,965,269</u>	<u>\$ 807,197</u>	<u>\$ 20,432,820</u>

**NOTE 11 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA**

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) for K-12 education. These payments consist of state general fund contributions of \$1,187,915 to CalSTRS (7.12589% of salaries subject to CalSTRS).

**NOTE 12 - OPERATING LEASES**

**Facilities / Portables**

The District leases certain excess facilities to others. The rental revenue from these leases for the 2015-16 fiscal year was \$1,112,328. A majority of these leases are long-term leases.

The District has entered into various operating leases for portables with lease terms in excess of one year. None of these agreements contain purchase options.

All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration dates.

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

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**NOTE 13 - RISK MANAGEMENT**

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

**NOTE 14 - 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 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 requested and shares surpluses and deficits proportionately to their participation in the JPAs. The JPAs are audited on an annual basis. Audited financial statements can be obtained by contacting each JPA's management.

**NOTE 15 - ECONOMIC DEPENDENCY**

During fiscal year 2015-16, the District received \$10,163,848 of parcel tax revenue that is subject to voter approval.

**NOTE 16 - COMMITMENTS AND CONTINGENCIES**

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

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

**B. Litigation**

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

**C. Long-Term Interfund Loan**

On June 17, 1996, the Mill Valley School District Board of Trustees approved and adopted a Board resolution to loan funds from the Capital Projects - Special Reserve Fund to the Capital Facilities Fund as bridge financing for the Edna Maguire School site expansion. The resolution authorized the District to expend \$2,047,870 from the Capital Projects - Special Reserve Fund to construct four buildings at the Edna Maguire School site.

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

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NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

C. Long-Term Interfund Loan (Concluded)

The resolution also provided that beginning in the 1996-97 school year, the District would begin repaying the expended funds from the Capital Facilities Fund, with interest computed monthly at the prime rate. On June 20, 2012, the Mill Valley School District Board of Trustees approved and adopted a Board resolution to discharge its need to make interest payments upon the amounts taken from the Capital Projects - Special Reserve Fund and that payments made after July 1, 2012 shall be used exclusively to reduce the principal balance. As of June 30, 2016, the outstanding balance on this loan is \$1,094,310.

NOTE 17 - SIGNIFICANT TRANSACTIONS WITH COMPONENT UNIT

Mill Valley Schools Community Foundation (Kiddo!) donated \$2,403,836 in cash to the District during fiscal year 2015-16, which is subject to voluntary public contributions to the organization, and is included in Operating Grants and Contributions Revenue of the District on the Statement of Activities reported on page 17.

NOTE 18 - SUBSEQUENT EVENTS

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

Parcel Tax

On November 8, 2016, the qualified voters of the District voted to approve Measure E, which authorizes the District to renew the District's existing Measure A parcel tax that was set to expire in 2018. The new parcel tax will authorize the District to collect a tax of \$980 per parcel, beginning in 2017-18, including 5 percent annual increases for 12 years to provide school funds.



REQUIRED SUPPLEMENTARY INFORMATION SECTION





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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b><u>Revenues</u></b>				
LCFF Sources:				
State Apportionment / Transfers	\$ 2,448,582	\$ 5,970,046	\$ 5,854,218	\$ (115,828)
Local Sources	19,613,015	16,145,345	16,276,895	131,550
Total LCFF Sources	22,061,597	22,115,391	22,131,113	15,722
Federal Revenue	845,728	901,826	893,903	(7,923)
Other State Revenue	652,851	3,974,530	4,076,202	101,672
Other Local Revenue	15,960,623	16,727,590	17,062,203	334,613
Total Revenues	39,520,799	43,719,337	44,163,421	444,084
<b><u>Expenditures</u></b>				
Certificated Salaries	18,717,668	19,008,143	18,685,371	322,772
Classified Salaries	5,612,910	5,848,695	5,682,859	165,836
Employee Benefits	8,846,401	10,287,597	10,264,691	22,906
Books and Supplies	1,301,037	2,588,112	1,744,098	844,014
Services and Other				
Operating Expenditures	3,163,248	4,418,410	3,806,952	611,458
Capital Outlay	25,000	25,992	25,992	
Other Expenditures	433,011	441,034	484,365	(43,331)
Total Expenditures	38,099,275	42,617,983	40,694,328	1,923,655
Excess of Revenues Over Expenditures	1,421,524	1,101,354	3,469,093	2,367,739
<b><u>Other Financing (Uses)</u></b>				
Operating Transfers Out	(10,000)	(10,000)	(10,000)	
Net Change in Fund Balances	1,411,524	1,091,354	3,459,093	\$ 2,367,739
Fund Balances - July 1, 2015	11,201,261	11,201,261	11,201,261	
Fund Balances - June 30, 2016	\$ 12,612,785	\$ 12,292,615	\$ 14,660,354	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

<u>Actuarial Valuation Date</u>	<u>Value of Assets *</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
7/1/15	\$ 1,298,819	\$ 5,960,936	\$ 4,662,117	21.8%	\$ 21,944,681	21.2%
7/1/13	50,000	3,981,782	3,931,782	1.3%	20,000,717	19.7%
7/1/12	0	5,884,496	5,884,496	0%	18,461,112	31.9%

\* As of the Actuarial Valuation Date

As of June 30, 2016, the actual value of assets held in the California Employers' Retiree Benefit Trust for purposes of prefunding Mill Valley School District's future retiree health benefit costs, was \$1,971,535.

MILL VALLEY SCHOOL DISTRICT

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

JUNE 30, 2016

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Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated to District	Total NPL Attributed to District	District's Covered Employee Payroll	District's Proportionate Share of the NPL as a % of Covered Employee Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2016	0.0382%	\$ 25,743,312	\$ 545,195	\$ 26,288,507	\$ 17,748,018	145.05%	74.02%
2015	0.0361%	21,119,853	500,002	21,619,855	16,097,406	131.20%	76.52%

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

MILL VALLEY SCHOOL DISTRICT

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

JUNE 30, 2016

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Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered Employee Payroll	District's Proportionate Share of the NPL as a % of Covered Employee Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2016	0.0500%	\$ 7,369,123	\$ 5,534,780	133.14%	79.43%
2015	0.0485%	5,505,349	5,090,753	108.14%	83.38%

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

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

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Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Employee Payroll	Contributions As a % of Covered Employee Payroll
2016	\$ 1,919,844	\$ 1,919,844	\$ -	\$ 17,892,302	10.730%
2015	1,543,377	1,543,377	-	17,380,372	8.880%

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

MILL VALLEY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - CALPERS \*

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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<u>Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions In Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>District's Covered Employee Payroll</u>	<u>Contributions As a % of Covered Employee Payroll</u>
2016	\$ 672,317	\$ 672,317	\$ -	\$ 5,674,998	11.847%
2015	651,037	651,037	-	5,530,855	11.771%

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

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

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

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

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

<u>General Fund</u>	<u>Excess Expenditures</u>
Other Expenditures	\$ 43,331

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

**B. Schedule of Funding Progress**

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

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

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

**D. Schedule of Contributions**

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





SUPPLEMENTARY INFORMATION SECTION



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

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ORGANIZATION

The Mill Valley School District was established on May 1, 1891, and it comprises of an area of approximately 64 square miles located in Marin County. There were no changes in the boundaries of the District during the current year. The District is currently operating five elementary schools and one middle school.

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Robin Moses	President	November 2017
Leslie Wachtel	Vice-President / Clerk	November 2019
Todd May	Member	November 2017
Marco Pardi	Member	November 2017
Bob Jacobs	Member	November 2019

ADMINISTRATION

Paul Johnson  
Superintendent

Michele Rollins, Ed. D.  
Assistant Superintendent/  
Business Services

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

	<u>Deferred Maintenance</u>	<u>Cafeteria</u>	<u>Capital Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
<b><u>Assets</u></b>					
Deposits and Investments		\$ 10,418	\$ 90,468	\$ 692,793	\$ 793,679
Receivables		7,667	6,317		13,984
Total Assets	<u>\$ 0</u>	<u>\$ 18,085</u>	<u>\$ 96,785</u>	<u>\$ 692,793</u>	<u>\$ 807,663</u>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:					
Accounts Payable		\$ 466			\$ 466
Total Liabilities		<u>466</u>			<u>466</u>
Fund Balances:					
Restricted		17,619	\$ 96,785		114,404
Assigned				\$ 692,793	692,793
Total Fund Balances		<u>17,619</u>	<u>96,785</u>	<u>692,793</u>	<u>807,197</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 18,085</u>	<u>\$ 96,785</u>	<u>\$ 692,793</u>	<u>\$ 807,663</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

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

	<u>Deferred Maintenance</u>	<u>Cafeteria</u>	<u>Capital Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
<b><u>Revenues</u></b>					
Federal Revenue		\$ 76,697			\$ 76,697
State Revenue		3,091			3,091
Local Revenue	\$ 5	632,819	\$ 229,658	\$ 1,216	863,698
Total Revenues	<u>5</u>	<u>712,607</u>	<u>229,658</u>	<u>1,216</u>	<u>943,486</u>
<b><u>Expenditures</u></b>					
Current:					
Food Services		724,746			724,746
Other General Administration			7,884		7,884
Plant Services	5,593				5,593
Facilities Acquisition and Construction			32,409		32,409
Total Expenditures	<u>5,593</u>	<u>724,746</u>	<u>40,293</u>	<u>0</u>	<u>770,632</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,588)</u>	<u>(12,139)</u>	<u>189,365</u>	<u>1,216</u>	<u>172,854</u>
<b><u>Other Financing Sources (Uses)</u></b>					
Operating Transfers In		10,000		125,000	135,000
Operating Transfers Out			(125,000)		(125,000)
Total Other Financing Sources (Uses)	<u>0</u>	<u>10,000</u>	<u>(125,000)</u>	<u>125,000</u>	<u>10,000</u>
Net Change in Fund Balances	<u>(5,588)</u>	<u>(2,139)</u>	<u>64,365</u>	<u>126,216</u>	<u>182,854</u>
Fund Balances - July 1, 2015	<u>5,588</u>	<u>19,758</u>	<u>32,420</u>	<u>566,577</u>	<u>624,343</u>
Fund Balances - June 30, 2016	<u>\$ 0</u>	<u>\$ 17,619</u>	<u>\$ 96,785</u>	<u>\$ 692,793</u>	<u>\$ 807,197</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

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

<b>P-2 Report</b>				
	<b>TK / K - 3</b>	<b>4 - 6</b>	<b>7 - 8</b>	<b>Total</b>
Regular	1,395.05	1,049.13	668.26	3,112.44
Extended Year Special Education	0.96	0.34	0.19	1.49
Special Education - Nonpublic	1.69		1.00	2.69
Extended Year Special Education - Nonpublic	0.14		0.12	0.26
<b>Totals</b>	<b>1,397.84</b>	<b>1,049.47</b>	<b>669.57</b>	<b>3,116.88</b>

<b>Annual Report</b>				
	<b>TK / K - 3</b>	<b>4 - 6</b>	<b>7 - 8</b>	<b>Total</b>
Regular	1,398.44	1,050.25	668.53	3,117.22
Extended Year Special Education	0.96	0.34	0.19	1.49
Special Education - Nonpublic	1.92		1.00	2.92
Extended Year Special Education - Nonpublic	0.14		0.12	0.26
<b>Totals</b>	<b>1,401.46</b>	<b>1,050.59</b>	<b>669.84</b>	<b>3,121.89</b>

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

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<u>Grade Level</u>	<u>Minutes Required</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	37,440	180	N/A	In Compliance
Grade 1	50,400	52,270	180	N/A	In Compliance
Grade 2	50,400	52,270	180	N/A	In Compliance
Grade 3	50,400	52,270	180	N/A	In Compliance
Grade 4	54,000	54,060	180	N/A	In Compliance
Grade 5	54,000	54,060	180	N/A	In Compliance
Grade 6	54,000	56,617	180	N/A	In Compliance
Grade 7	54,000	56,617	180	N/A	In Compliance
Grade 8	54,000	56,617	180	N/A	In Compliance

MILL VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identification Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Agriculture:</b>				
Passed Through California Department of Education (CDE):				
<i>Child Nutrition Cluster:</i>				
National School Lunch	10.555	13524		\$ 76,697
<b>Total U.S. Department of Agriculture</b>				<u>76,697</u>
<b>U.S. Department of Education:</b>				
Passed Through CDE:				
NCLB: Title I Basic Grant Low-Income & Neglected	84.010	14329		81,059
NCLB: Title II Improving Teacher Quality	84.367	14341		37,658
NCLB: Title III Programs				
NCLB: Title III Immigrant Education	84.365	14346		9,898
NCLB: Title III Limited English Proficient	84.365	10084		8,834
Subtotal NCLB: Title III Programs				<u>18,732</u>
Passed Through Sonoma County SELPA:				
<i>Special Education Cluster:</i>				
IDEA Part B Basic Local Assistance	84.027	13379		403,377
IDEA Part B Preschool Grants	84.173	13430		41,688
IDEA Part B Preschool Local Entitlement	84.027A	13682		101,059
IDEA Part B Mental Health Services	84.027A	15197		28,480
Subtotal Special Education Cluster				<u>574,604</u>
<b>Total U.S. Department of Education</b>				<u>712,053</u>
<b>U.S. Department of Health and Human Services:</b>				
<i>Medicaid Cluster:</i>				
Passed Through Contra Costa County Office of Education:				
Medi-Cal Administrative Activities	93.778	10060		105,871
Medi-Cal Billing Option	93.778	10013		88,111
Subtotal Medicaid Cluster				<u>193,982</u>
<b>Total U.S. Department of Health and Human Services</b>				<u>193,982</u>
Totals			<u>\$ 0</u>	<u>\$ 982,732</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION



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

	General Fund	Special Reserve for Post Employment Benefits Fund
June 30, 2016 Annual Financial and Budget Report Fund Balances	\$ 13,723,835	\$ 936,519
Reclassification Increasing (Decreasing) Fund Balances:		
Reclassification of Fund Balances	936,519	(936,519)
June 30, 2016 Audited Financial Statements Fund Balances	\$ 14,660,354	\$ 0

Auditor's Comments

The fund balances of the General Fund and Special Reserve for Post Employment Benefits Fund have been combined for financial reporting purposes in accordance with GASB Statement No. 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, 2016.

MILL VALLEY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	GENERAL FUND			
	(Budget) * 2016-17	2015-16	2014-15	2013-14
Revenues and Other Financial Sources	\$ 42,103,753	\$ 44,163,421	\$ 39,720,849	\$ 37,302,530
Expenditures	42,248,845	40,694,328	38,629,347	34,771,802
Other Uses and Transfers Out	10,000	10,000	12,500	671,540
Total Outgo	42,258,845	40,704,328	38,641,847	35,443,342
Change in Fund Balance	(155,092)	3,459,093	1,079,002	1,859,188
Ending Fund Balance	\$ 14,505,262	\$ 14,660,354	\$ 11,201,261	\$ 10,122,259
Available Reserves	\$ 8,802,545	\$ 8,439,184	\$ 5,767,922	\$ 7,220,765
Reserve for Economic Uncertainties **	\$ 8,802,545	\$ 8,439,184	\$ 5,767,922	\$ 7,220,765
Available Reserves as a Percentage of Total Outgo	20.8%	20.7%	14.9%	20.4%
Average Daily Attendance at P-2	3,066	3,117	3,136	3,148
Total Long-Term Liabilities	\$ 107,962,251	\$ 111,324,330	\$ 106,785,275	\$ 115,330,709

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

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

The fund balance of the General Fund increased \$4,538,095 (44.8%) over the past two years. The fiscal year 2016-17 budget projects a decrease of \$155,092. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District produced operating surpluses of \$1,859,188, \$1,079,002 and \$3,459,093 during fiscal years 2013-14, 2014-15 and 2015-16, respectively.

Average daily attendance (ADA) decreased 31 ADA over the past two years. The District anticipates a decrease of 51 ADA during fiscal year 2016-17.

Total long-term liabilities decreased \$4,006,379 over the past two years.

**MILL VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**MEASURES A & B - PARCEL TAXES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Measure A</u>	<u>Measure B</u>	<u>Totals</u>
<b><u>Revenues</u></b>			
Parcel Tax Revenue, Net	\$ 8,250,063	\$ 1,913,785	\$ 10,163,848
District Contribution	1,192,439		1,192,439
Total Revenues	<u>9,442,502</u>	<u>1,913,785</u>	<u>11,356,287</u>
<b><u>Expenditures</u></b>			
Certificated Salaries	6,936,340	1,493,927	8,430,267
Employee Benefits	2,477,667	401,164	2,878,831
Books and Supplies	9,783		9,783
Services and Operating Expenditures	18,712	18,694	37,406
Total Expenditures	<u>9,442,502</u>	<u>1,913,785</u>	<u>11,356,287</u>
Net Change in Fund Balances	0	0	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

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

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

**A. Combining Statements**

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

**B. Schedule of Average Daily Attendance**

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.

**C. 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 its LCFF funding target. This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

**D. Schedule of Expenditures of Federal Awards**

*Basis of Presentation*

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

*Summary of Significant Accounting Policies*

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

*Indirect Cost Rates*

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

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

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NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

E. 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.

F. 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.

G. Schedule of Revenues, Expenditures, and Changes in Fund Balances - Measures A & B

This schedule provides information regarding the receipt and use of funds related to the District's *Measure A* and *Measure B* parcel taxes.

*Measure A*

On November 4, 2008, the qualified voters of the District voted to approve a Measure A, an amendment to an existing parcel tax, for purposes of increasing the amount of the tax, updating the purposes for which the proceeds of the tax may be used, and extending the length of the parcel tax. As a result, the District is authorized to use the proceeds of the special tax solely to protect educational quality; attract and keep high-quality teachers; maintain library services and physical education programs; preserve small neighborhood schools and class sizes; and prevent significant budget cuts due to reductions in State education funding.

*Measure B*

On November 6, 2012 the qualified voters of the District voted to approve Measure B, authorizing the District to levy a qualified special parcel tax. As a result, the District is authorized to use the proceeds of the special tax solely to protect against damaging state budget cuts; attract and keep skilled, qualified teachers and provide training; maintain school libraries and library services; prevent a shortened school year; provide programs for at-risk students and students who need additional support; and replace some of the funding the District lost to the State.



OTHER INDEPENDENT AUDITOR'S REPORTS SECTION





**STEPHEN ROATCH ACCOUNTANCY CORPORATION**  
*Certified Public Accountants*

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

Board of Education  
Mill Valley School District  
Mill Valley, California

**Report on State Compliance**

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

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-16 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about Mill Valley 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 Mill Valley School District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
<b>Local Education Agencies Other Than Charter Schools:</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Not Applicable
<b>School Districts, County Offices of Education, and Charter Schools:</b>	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Not Applicable
<b>Charter Schools:</b>	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

Opinion on State Compliance

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

Board of Education  
Mill Valley School District  
Page Three

Purpose of this Report

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

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 7, 2016



# **STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

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

Board of Education  
Mill Valley School District  
Mill Valley, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Mill Valley School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2016. Our report includes a reference to other auditors who audited the financial statements of the Mill Valley Schools Community Foundation (Kiddo!), as described in our report on Mill Valley School District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control over Financial Reporting**

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 7, 2016

# **STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

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

Board of Education  
Mill Valley School District  
Mill Valley, California

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

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

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 7, 2016



## FINDINGS AND QUESTIONED COSTS SECTION



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

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**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?	_____ Yes	_____ X	None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ X	No

**Federal Awards**

Internal control over major programs:

Material weaknesses identified?	_____ Yes	_____ X No	
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ X	None reported

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Federal Program</u>
84.027 / 84.027A / 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ X Yes \_\_\_\_\_ No

**State Awards**

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

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

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

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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

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

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

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

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

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

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

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

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There were no matters reported in the prior audit report.

