

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

AUDIT REPORT

JUNE 30, 2015

MILL VALLEY SCHOOL DISTRICT

JUNE 30, 2015

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MILL VALLEY SCHOOL DISTRICT

JUNE 30, 2015

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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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles that are generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 14, the budgetary comparison information on page 61, the schedule of funding progress on page 66, the schedules of proportionate share of the net pension liability on pages 67 and 68, and the schedules of contributions on pages 69 and 70, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mill Valley School District's basic financial statements. The combining nonmajor fund financial statements, and supplementary schedules and information, listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015 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 4, 2015

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

(PREPARED BY DISTRICT MANAGEMENT)

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, 2015. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

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

FINANCIAL HIGHLIGHTS

- Fiscal year 2014-15 is the first year the District has been 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. (See Note 18)
- Fiscal year 2014-15 is the second year the District has received funding that is based on the new Local Control Funding Formula.
- The District's financial status improved during the course of the year, as total net position increased \$1,226,275.
- Capital assets, net of depreciation, decreased \$1,766,758 due to the current year acquisition of \$1,047,172 of new capital assets and improvements, and the current year recognition of \$2,813,930 of depreciation expense.
- Total long-term liabilities decreased \$8,545,434, due primarily to the current year reduction of the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans, and the current year redemption of a portion of the District's outstanding capital appreciation bonds.
- The District's P-2 average daily attendance (ADA) decreased from 3,148 in fiscal year 2013-14, down to 3,136 in fiscal year 2014-15, a decrease of 12 ADA or less than 1%.
- The District's General Fund produced an operating surplus of \$1,079,002, but reported a \$1,452,843 decrease in its available reserves, due to a larger portion of the ending fund balance being assigned for specific future uses.
- 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 2014-15, General Fund expenditures and other financing uses totaled \$38,641,847. At June 30, 2015, the District had available reserves of \$5,767,922 which represents a reserve of 14.9%.

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

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT

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

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

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

Reporting the District as a Whole

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

The District's financial health 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, 2015**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

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

Governmental Activities:

The basic services provided by the District, such as regular and special education, administration, and special education transportation are included here, and are primarily financed by property taxes. 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.

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

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

<u>Comparative Statement of Net Position</u>		
	Governmental Activities	
	2014	2015
<u>Assets</u>		
Deposits and Investments	\$ 23,206,103	\$ 17,389,526
Receivables	3,911,632	890,213
Capital Assets, net	71,563,748	69,796,990
Total Assets	<u>98,681,483</u>	<u>88,076,729</u>
<u>Deferred Outflows of Resources</u>		
Pension Deferrals *	1,904,390	3,011,583
<u>Liabilities</u>		
Current	15,642,679	5,850,545
Long-term *	111,686,718	103,662,737
Total Liabilities *	<u>127,329,397</u>	<u>109,513,282</u>
<u>Deferred Inflows of Resources</u>		
Pension Deferrals	0	7,092,279
<u>Net Position</u>		
Net Investment in Capital Assets	4,400,663	2,652,009
Restricted for Capital Projects	228,001	32,420
Restricted for Debt Service (Deficit)	(9,294,288)	(7,193,583)
Restricted for Educational Programs	1,442,794	721,258
Restricted for Other Purposes	25,057	25,258
Unrestricted (Deficit) *	<u>(23,545,751)</u>	<u>(21,754,611)</u>
Total Net Position (Deficit) *	<u>\$ (26,743,524)</u>	<u>\$ (25,517,249)</u>
<i>Table includes financial data of the combined governmental funds.</i>		
<i>* The amounts presented for fiscal year 2013-14 have been adjusted to reflect the restatement discussed in Note 18 of these financial statements</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, 2015**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Comparative Statement of Changes in Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2015</u>
<u>Program Revenues</u>		
Charges for Services	\$ 579,280	\$ 492,571
Operating Grants & Contributions	7,312,407	7,511,708
<u>General Revenues</u>		
Taxes Levied	31,240,692	33,606,058
Federal & State Aid	2,807,039	2,924,890
Interest & Investment Earnings	20,431	42,459
Miscellaneous	1,655,195	1,565,192
Total Revenues	<u>43,615,044</u>	<u>46,142,878</u>
<u>Expenses</u>		
Instruction	23,511,232	26,967,991
Instruction-Related Services	4,701,153	5,550,184
Pupil Services	1,975,243	2,039,215
General Administration	3,051,780	3,267,876
Plant Services	3,525,265	3,459,184
Interest on Long-Term Debt	3,586,916	3,462,864
Other Outgo	358,353	169,289
Total Expenses	<u>40,709,942</u>	<u>44,916,603</u>
Changes before Special Item	2,905,102	1,226,275
Special Item - Loss	<u>(706,890)</u>	<u>0</u>
Changes in Net Position	2,198,212	1,226,275
Net Position, Beginning (Deficit) *	<u>(28,941,736)</u>	<u>(26,743,524)</u>
Net Position, Ending (Deficit) *	<u>\$ (26,743,524)</u>	<u>\$ (25,517,249)</u>

Table includes financial data of the combined governmental funds.

** The amounts presented for fiscal year 2013-14 have been adjusted to reflect the restatement discussed in Note 18 of these financial statements*

The District's total current year revenues exceeded total current year expenses by \$1,226,275.

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

(PREPARED BY DISTRICT MANAGEMENT)

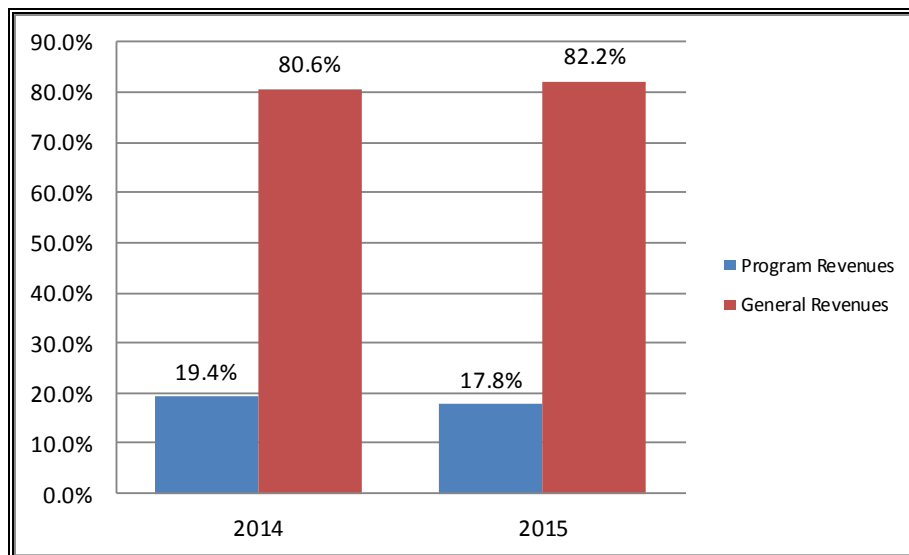
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Comparative Schedule of Costs of Services</u>				
	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Instruction	\$ 23,511,232	\$ 26,967,991	\$ 18,034,030	\$ 20,902,348
Instruction-Related Services	4,701,153	5,550,184	3,809,976	4,865,829
Pupil Services	1,975,243	2,039,215	826,374	969,141
General Administration	3,051,780	3,267,876	2,928,687	3,132,139
Plant Services	3,525,265	3,459,184	3,368,292	3,458,615
Interest on Long-Term Debt	3,586,916	3,462,864	3,586,916	3,462,864
Other Outgo	358,353	169,289	263,980	121,388
Totals	<u>\$ 40,709,942</u>	<u>\$ 44,916,603</u>	<u>\$ 32,818,255</u>	<u>\$ 36,912,324</u>

Table includes financial data of the combined governmental funds.

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$36,912,324 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



For fiscal year 2014-15, program revenues financed 17.8% of the total cost of providing the services listed above, while the remaining 82.2% 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, 2015**

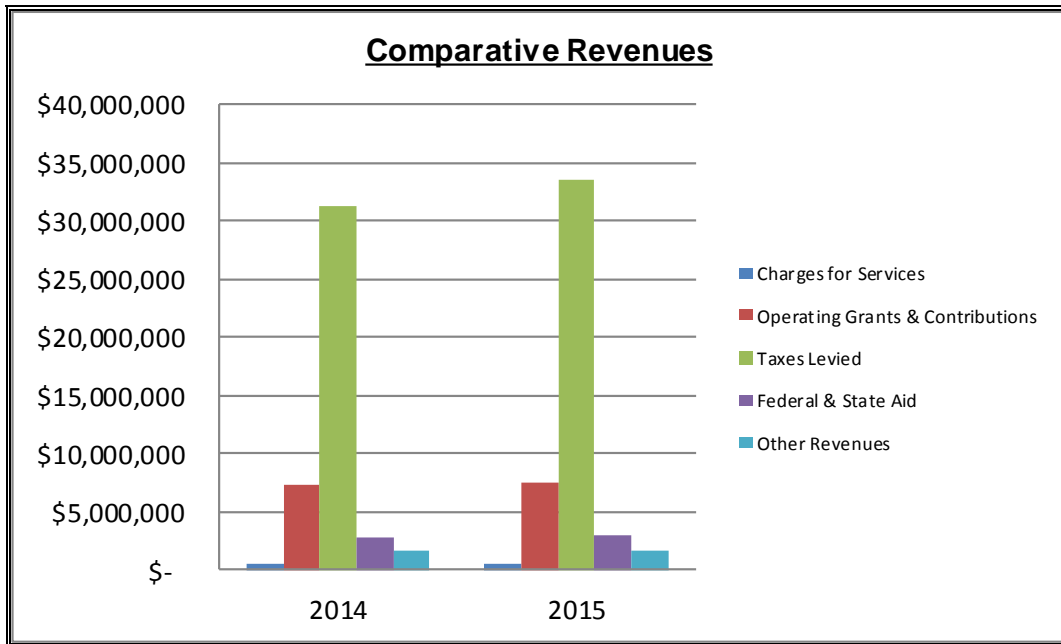
(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Summary of Revenues For Governmental Functions</u>				
	FYE 2014 Amount	Percent of Total	FYE 2015 Amount	Percent of Total
<u>Program Revenues</u>				
Charges for Services	\$ 579,280	1.33%	\$ 492,571	1.07%
Operating Grants & Contributions	7,312,407	16.77%	7,511,708	16.28%
<u>General Revenues</u>				
Taxes Levied	31,240,692	71.63%	33,606,058	72.83%
Federal & State Aid	2,807,039	6.44%	2,924,890	6.34%
Other Revenues	1,675,626	3.84%	1,607,651	3.48%
Total Revenues	\$ 43,615,044	100.00%	\$ 46,142,878	100.00%

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, 2015**

(PREPARED BY DISTRICT MANAGEMENT)

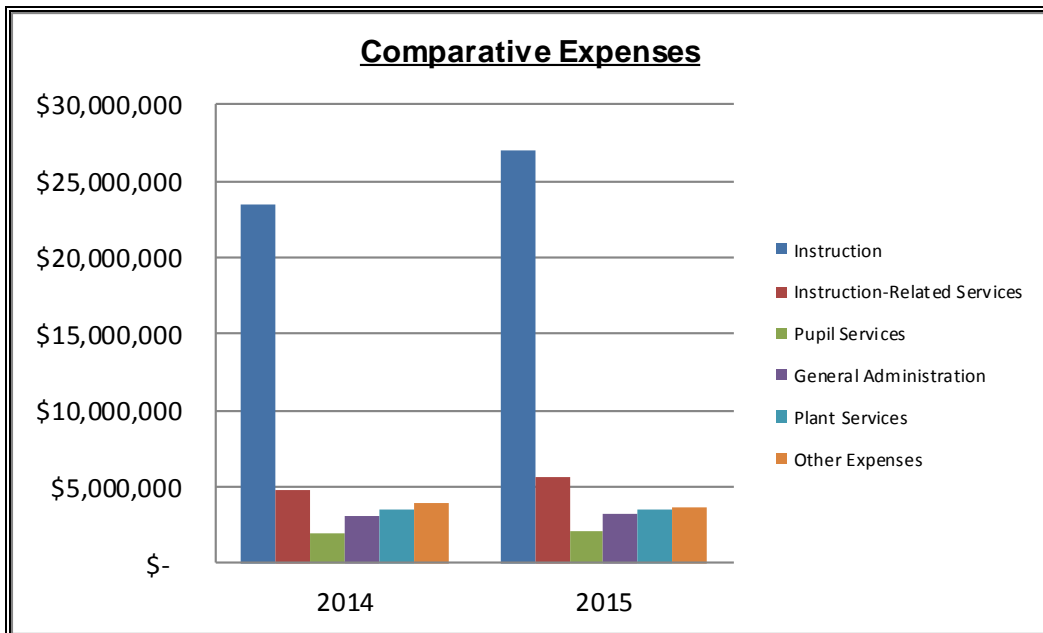
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Expenses For Governmental Functions

<u>Expenses</u>	<u>FYE 2014 Amount</u>	<u>Percent of Total</u>	<u>FYE 2015 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 23,511,232	57.75%	\$ 26,967,991	60.04%
Instruction-Related Services	4,701,153	11.55%	5,550,184	12.36%
Pupil Services	1,975,243	4.85%	2,039,215	4.54%
General Administration	3,051,780	7.50%	3,267,876	7.28%
Plant Services	3,525,265	8.66%	3,459,184	7.70%
Other Expenses	3,945,269	9.69%	3,632,153	8.09%
Total Expenses	\$ 40,709,942	100.00%	\$ 44,916,603	100.00%

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, 2015**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Comparative Schedule of Capital Assets</u>		
	Governmental Activities	
	2014	2015
Land	\$ 1,673,666	\$ 1,673,666
Sites and Improvements	4,799,305	7,984,295
Buildings and Improvements	59,076,820	96,443,572
Furniture and Equipment	438,161	465,527
Work-in-Progress	39,531,936	0
Subtotals	105,519,888	106,567,060
Less: Accumulated Depreciation	(33,956,140)	(36,770,070)
Capital Assets, net	<u>\$ 71,563,748</u>	<u>\$ 69,796,990</u>

Capital assets, net of depreciation decreased \$1,766,758 due to the current year acquisition of \$1,047,172 of new capital assets and improvements, and the current year recognition of \$2,813,930 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	Governmental Activities	
	2014	2015
Compensated Absences	\$ 100,887	\$ 97,929
General Obligation Bonds: Current Interest	59,800,000	59,800,000
General Obligation Bonds: Capital Appreciation	19,627,467	17,828,695
Bond Premium	454,101	435,997
Other Post Employment Benefits	2,038,877	1,997,452
Net Pension Liability - CalSTRS *	25,818,213	21,119,853
Net Pension Liability - CalPERS *	7,491,164	5,505,349
Totals *	<u>\$ 115,330,709</u>	<u>\$ 106,785,275</u>

* The amounts presented for fiscal year 2013-14 have been adjusted to reflect the restatement discussed in Note 18 of these financial statements.

Total long-term liabilities decreased \$8,545,434, due primarily to the current year reduction of the District's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans, and the current year redemption of a portion of the District's outstanding capital appreciation bonds.

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

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

The general obligation bonds are financed by the local taxpayers and represent 72.7% 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

<u>Comparative Schedule of Fund Balances</u>			
	Fund Balances June 30, 2014	Fund Balances June 30, 2015	Increase (Decrease)
General	\$ 10,122,259	\$ 11,201,261	\$ 1,079,002
Bond Interest & Redemption	4,437,848	4,739,781	301,933
Deferred Maintenance	319,567	5,588	(313,979)
Cafeteria	19,557	19,758	201
Capital Facilities	228,001	32,420	(195,581)
Capital Projects - Special Reserve	1,005,468	566,577	(438,891)
Totals	<u>\$ 16,132,700</u>	<u>\$ 16,565,385</u>	<u>\$ 432,685</u>

The fund balance of the General Fund increased \$1,079,002 during fiscal year 2014-15, and the combined fund balances of all other District governmental funds decreased \$646,317.

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, 2015**

(PREPARED BY DISTRICT MANAGEMENT)

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- On November 4, 2014, the voters of the State of California elected to approve Proposition 2 (State Budget: Budget Stabilization Account. Legislative Constitutional Amendment). The measure will alter the existing requirements for the Budget Stabilization Account (BSA) that was originally established with Proposition 58, passed in 2004. Proposition 2 is set to create a distinct budget stabilization fund known as the "Proposition 98 Reserve" or Public School System Stabilization Account (PSSSA). Proposition 2 also includes a provision that will limit the amount that many school districts may hold in reserves in future years. At this time, the fiscal impact of Proposition 2 is not immediately clear, since the ultimate impact will largely depend on how it is implemented at the state and local levels moving forward.
- 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 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.
- Fiscal year 2015-16 will be the third year of the projected eight year phase-in period for the new Local Control Funding Formula (LCFF). Although more information regarding the new funding and accountability standards was released during the past year, it is very likely that there may be additional modifications in the future. As a result, school district budgets should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Mill Valley School District, 411 Sycamore Avenue, Mill Valley, California 94941.

BASIC FINANCIAL STATEMENTS

**MILL VALLEY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Primary Government	Component Unit
	Governmental Activities	Foundation
<u>Assets</u>		
Deposits and Investments (Note 2)	\$ 17,389,526	\$ 8,949,884
Receivables (Note 4)	890,213	630,856
Capital Assets, Net of Accumulated Depreciation (Note 6)	69,796,990	7,524
Total Assets	<u>88,076,729</u>	<u>9,588,264</u>
<u>Deferred Outflows of Resources</u>		
Pension Deferrals - CalSTRS (Note 11)	2,360,546	
Pension Deferrals - CalPERS	651,037	
Total Deferred Outflows of Resources	<u>3,011,583</u>	<u>0</u>
<u>Liabilities</u>		
Accounts Payable and Other Current Liabilities	1,699,780	11,520
Accrued Interest Payable	1,013,653	
Unearned Revenue (Note 11)	14,574	
Long-Term Liabilities:		
<i>Portion Due or Payable Within One Year:</i>		
Compensated Absences	97,929	
General Obligation Bonds		
Current Interest	75,000	
Capital Appreciation	2,931,505	
Bond Premium	18,104	
<i>Portion Due or Payable After One Year:</i>		
General Obligation Bonds (Note 7)		
Current Interest	59,725,000	
Capital Appreciation	14,897,190	
Bond Premium	417,893	
Other Post Employment Benefits (Note 8)	1,997,452	
Net Pension Liability - CalSTRS (Note 9A)	21,119,853	
Net Pension Liability - CalPERS (Note 9B)	5,505,349	
Total Liabilities	<u>109,513,282</u>	<u>11,520</u>
<u>Deferred Inflows of Resources</u>		
Pension Deferrals - CalSTRS (Note 11)	5,200,579	
Pension Deferrals - CalPERS	1,891,700	
Total Deferred Inflows of Resources	<u>7,092,279</u>	<u>0</u>
<u>Net Position</u>		
Net Investment in Capital Assets	2,652,009	7,524
Restricted:		
For Capital Projects	32,420	
For Debt Service (Deficit)	(7,193,583)	
For Educational Programs	721,258	
For Other Purposes	25,258	9,569,220
Unrestricted (Deficit)	(21,754,611)	
Total Net Position	<u>\$ (25,517,249)</u>	<u>\$ 9,576,744</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, 2015**

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position / Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	<u>Component Unit Foundation</u>
<u>Governmental Activities</u>					
Instruction	\$ 26,967,991		\$ 6,065,643	\$ (20,902,348)	
Instruction-Related Services:					
Supervision of Instruction	983,761		202,831	(780,930)	
Instructional Library and Technology	1,223,195		314,118	(909,077)	
School Site Administration	3,343,228		167,406	(3,175,822)	
Pupil Services:					
Food Services	632,148	\$ 492,571	85,390	(54,187)	
Other Pupil Services	1,407,067		492,113	(914,954)	
General Administration:					
Data Processing Services	620,584			(620,584)	
Other General Administration	2,647,292		135,737	(2,511,555)	
Plant Services	3,459,184		569	(3,458,615)	
Interest on Long-Term Debt	3,462,864			(3,462,864)	
Other Outgo	169,289		47,901	(121,388)	
Total Governmental Activities	<u>\$ 44,916,603</u>	<u>\$ 492,571</u>	<u>\$ 7,511,708</u>	<u>(36,912,324)</u>	
<u>Component Unit</u>					
Foundation	<u>\$ 3,542,351</u>				<u>\$ (3,542,351)</u>
<u>General Revenues</u>					
Taxes Levied for General Purposes				18,252,288	
Taxes Levied for Debt Service				5,571,946	
Taxes Levied for Specific Purposes				9,781,824	
Federal and State Aid - Unrestricted				2,924,890	
Interest and Investment Earnings				42,459	(4,179)
Grants and Contributions - Unrestricted					3,612,794
Miscellaneous				1,565,192	
Total General Revenues				<u>38,138,599</u>	<u>3,608,615</u>
Change in Net Position				1,226,275	66,264
Net Position (Deficit) - July 1, 2014 (As Restated - Note 18)				<u>(26,743,524)</u>	<u>9,510,480</u>
Net Position (Deficit) - June 30, 2015				<u>\$ (25,517,249)</u>	<u>\$ 9,576,744</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**MILL VALLEY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Deposits and Investments (Note 2)	\$ 12,006,640	\$ 4,739,781	\$ 643,105	\$ 17,389,526
Receivables (Note 4)	876,794		13,419	890,213
Total Assets	<u>\$ 12,883,434</u>	<u>\$ 4,739,781</u>	<u>\$ 656,524</u>	<u>\$ 18,279,739</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts Payable	\$ 1,667,599		\$ 32,181	\$ 1,699,780
Unearned Revenue (Note 11)	14,574			14,574
Total Liabilities	<u>1,682,173</u>		<u>32,181</u>	<u>1,714,354</u>
Fund Balances: (Note 11)				
Nonspendable	5,500			5,500
Restricted	721,258	\$ 4,739,781	52,178	5,513,217
Committed			5,588	5,588
Assigned	4,706,581		566,577	5,273,158
Unassigned	5,767,922			5,767,922
Total Fund Balances	<u>11,201,261</u>	<u>4,739,781</u>	<u>624,343</u>	<u>16,565,385</u>
Total Liabilities and Fund Balances	<u>\$ 12,883,434</u>	<u>\$ 4,739,781</u>	<u>\$ 656,524</u>	<u>\$ 18,279,739</u>

**MILL VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Total Fund Balances - Governmental Funds \$ 16,565,385

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	\$ 106,567,060	
Accumulated Depreciation	(36,770,070)	
Net		69,796,990

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: (4,080,696)

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: (1,013,653)

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	\$ 97,929	
General Obligation Bonds:		
Current Interest	59,800,000	
Capital Appreciation	17,828,695	
Bond Premium	435,997	
Other Post Employment Benefits	1,997,452	
Net Pension Liability - CalSTRS	21,119,853	
Net Pension Liability - CalPERS	5,505,349	
Total		(106,785,275)

Total Net Position - Governmental Activities \$ (25,517,249)

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

	<u>General</u>	<u>Bond Interest and Redemption</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 2,283,263			\$ 2,283,263
Local Taxes	18,252,288			18,252,288
Total LCFF Sources	20,535,551			20,535,551
Federal Revenue	945,311		\$ 81,639	1,026,950
State Revenue	1,859,304	\$ 28,195	3,747	1,891,246
Local Revenue	16,380,683	5,553,478	754,970	22,689,131
Total Revenues	39,720,849	5,581,673	840,356	46,142,878
<u>Expenditures</u>				
Current:				
Instruction	25,641,126			25,641,126
Supervision of Instruction	931,538			931,538
Instructional Library and Technology	1,161,983			1,161,983
School Site Administration	3,207,759			3,207,759
Food Services			590,260	590,260
Other Pupil Services	1,339,857			1,339,857
Data Processing Services	583,773			583,773
Other General Administration	2,498,157		5,501	2,503,658
Plant Services	3,095,865		146,985	3,242,850
Facilities Acquisition and Construction			1,058,360	1,058,360
Other Outgo	169,289			169,289
Debt Service:				
Principal Retirement		2,820,000		2,820,000
Interest and Issuance Costs		2,459,740		2,459,740
Total Expenditures	38,629,347	5,279,740	1,801,106	45,710,193
Excess of Revenues Over (Under) Expenditures	1,091,502	301,933	(960,750)	432,685
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In			97,500	97,500
Operating Transfers Out	(12,500)		(85,000)	(97,500)
Total Other Financing Sources (Uses)	(12,500)	0	12,500	0
Net Change in Fund Balances	1,079,002	301,933	(948,250)	432,685
Fund Balances - July 1, 2014	10,122,259	4,437,848	1,572,593	16,132,700
Fund Balances - June 30, 2015	\$ 11,201,261	\$ 4,739,781	\$ 624,343	\$ 16,565,385

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, 2015**

Net Change in Fund Balances - Governmental Funds \$ 432,685

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	\$ 1,047,172	
Depreciation Expense	(2,813,930)	
Net		(1,766,758)

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:

2,958

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:

41,425

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 - Capital Appreciation	\$ 2,820,000	
Bond Premium	18,104	
Total		2,838,104

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:

699,089

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:

(1,021,228)

Change in Net Position of Governmental Activities \$ 1,226,275

MILL VALLEY SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
<u>Assets</u>		
Total Assets	\$ 0	\$ 0
<u>Net Position</u>		
Total Net Position	\$ 0	\$ 0

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The 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, 2015

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, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Implementation of New Accounting Pronouncements

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

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

The effect on beginning net position that resulted from implementing GASB 68 and GASB 71 is presented in Note 18.

C. Basis of Presentation

Government-wide Financial Statements:

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

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Concluded)

Government-wide Financial Statements (Concluded):

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.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

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

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. 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.

E. Fund Accounting

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

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

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, non-major, and fiduciary 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.

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).

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Concluded)

Non-major Governmental Funds (Concluded):

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.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District has previously maintained an agency fund to account for the student body activities at Mill Valley Middle School. This account was closed during fiscal year 2014-15.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 61.

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

G. Use of Estimates

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

H. Encumbrances

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

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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 statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District has one item that qualifies for reporting in this category. This item is employer contributions made to the pension plans subsequent to the measurement date of the net pension liability and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

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

4. 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.

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. 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. 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, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. 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

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

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

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

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

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, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks		\$ 0
Cash in Revolving Fund	\$ 5,500	
County Pool Investments	<u>17,384,026</u>	<u> </u>
Total Deposits and Investments	<u>\$ 17,389,526</u>	<u>\$ 0</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:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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	\$ 17,384,026	\$ 17,387,783	\$ 2,101,034	\$ 15,282,992

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	\$ 17,384,026	\$ 17,387,783			\$ 17,384,026

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015, the District does not have any investments that are held by counterparties.

Derivative Investments

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

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The excess of expenditures over appropriations in the General Fund as of June 30, 2015 were as follows:

	<u>Excess Expenditures</u>
Capital Outlay	\$ 2,365

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

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - RECEIVABLES

Receivables at June 30, 2015 consist of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government	\$ 334,631	\$ 5,857	\$ 340,488
State Government	312,560	246	312,806
Local Governments	158,521		158,521
Miscellaneous	<u>71,082</u>	<u>7,316</u>	<u>78,398</u>
Totals	<u>\$ 876,794</u>	<u>\$ 13,419</u>	<u>\$ 890,213</u>

NOTE 5 - INTERFUND ACTIVITIES

Interfund transactions are reported as loans, services provided reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures.

Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

A. Due From/Due To Other Funds

There were no interfund receivable and payable balances at June 30, 2015.

B. Interfund Transfers

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

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

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General		\$ 12,500
Cafeteria	\$ 12,500	
Capital Facilities		85,000
Capital Projects - Special Reserve	<u>85,000</u>	<u> </u>
Totals	<u>\$ 97,500</u>	<u>\$ 97,500</u>

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5 - INTERFUND ACTIVITIES (CONCLUDED)

B. Interfund Transfers (Concluded)

Transfer of \$12,500 from General Fund to the Cafeteria Fund to supplement the child nutrition program.

Transfer of \$85,000 from the Capital Facilities Fund to the Capital Projects - Special Reserve Fund to repay funds borrowed in prior year.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

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

	Balances July 1, 2014	Additions	Deletions	Balances June 30, 2015
Land	\$ 1,673,666			\$ 1,673,666
Sites and Improvements	4,799,305	\$ 3,184,990		7,984,295
Buildings and Improvements	59,076,820	37,366,752		96,443,572
Furniture and Equipment	438,161	27,366		465,527
Work-in-Progress	39,531,936	1,058,361	\$ 40,590,297	0
Totals at Historical Cost	<u>105,519,888</u>	<u>41,637,469</u>	<u>40,590,297</u>	<u>106,567,060</u>
Less Accumulated Depreciation for:				
Sites and Improvements	2,979,239	487,898		3,467,137
Buildings and Improvements	30,669,237	2,301,923		32,971,160
Furniture and Equipment	307,664	24,109		331,773
Total Accumulated Depreciation	<u>33,956,140</u>	<u>2,813,930</u>	<u>0</u>	<u>36,770,070</u>
Governmental Activities				
Capital Assets, net	<u>\$ 71,563,748</u>	<u>\$ 38,823,539</u>	<u>\$ 40,590,297</u>	<u>\$ 69,796,990</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 1,838,127
Supervision of Instruction	67,053
Instructional Library and Technology	83,372
School Site Administration	227,873
Food Services	43,087
Other Pupil Services	95,905
Data Processing Services	42,299
Other General Administration	180,438
Plant Services	<u>235,776</u>
Total	<u>\$ 2,813,930</u>

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7 - GENERAL OBLIGATION BONDS

The outstanding general obligation debt of the District as of June 30, 2015 is as follows:

A. Current Interest Bonds

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2014	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2015
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	30,605,000	30,605,000			30,605,000
Totals			<u>\$ 59,800,000</u>	<u>\$ 59,800,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 59,800,000</u>

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2015, are as follows:

Year Ended June 30	Principal	Interest	Totals
2016	\$ 75,000	\$ 2,461,950	\$ 2,536,950
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
2021-2025	4,865,000	11,778,625	16,643,625
2026-2030	9,745,000	10,390,875	20,135,875
2031-2035	16,985,000	7,415,381	24,400,381
2036-2040	26,730,000	2,875,332	29,605,332
Totals	<u>\$ 59,800,000</u>	<u>\$ 44,706,813</u>	<u>\$ 104,506,813</u>

B. Capital Appreciation Bonds

Date of Issue	Accretion Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2014	Accreted Interest Current Year	Redeemed Current Year	Outstanding June 30, 2015
8/2/94	6.30-6.40	8/1/19	\$ 2,889,198	\$ 3,867,849	\$ 212,466	\$ 655,000	\$ 3,425,315
8/1/95	6.45-6.70	8/1/20	2,731,793	3,915,033	226,876	590,000	3,551,909
2/1/96	5.70-5.85	8/1/20	4,680,809	6,178,971	314,014	935,000	5,557,985
7/23/98	5.05-5.30	7/1/23	3,417,300	5,665,614	267,872	640,000	5,293,486
Totals			<u>\$ 13,719,100</u>	<u>\$ 19,627,467</u>	<u>\$ 1,021,228</u>	<u>\$ 2,820,000</u>	<u>\$ 17,828,695</u>

The outstanding obligation for the capital appreciation serial and term bonds at June 30, 2015, was as follows:

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds (Concluded)

<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	\$ 958,520	\$ 1,972,985	\$ 2,931,505
2017	5.15-6.55	934,979	1,947,623	2,882,602
2018	5.15-6.60	918,270	1,921,627	2,839,897
2019	5.2-6.65	893,552	1,893,900	2,787,452
2020	5.2-6.70	877,912	1,868,236	2,746,148
2021-2025	5.25-6.70	1,348,096	2,292,995	3,641,091
Totals		<u>\$ 5,931,329</u>	<u>\$ 11,897,366</u>	<u>\$ 17,828,695</u>

The annual requirements to amortize the capital appreciation serial and term bonds at June 30, 2015, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 958,520	\$ 1,987,097	\$ 2,945,617
2017	934,979	2,136,731	3,071,710
2018	918,270	2,291,935	3,210,205
2019	893,552	2,452,691	3,346,243
2020	877,912	2,622,088	3,500,000
2021-2025	1,348,096	3,711,904	5,060,000
Totals	<u>\$ 5,931,329</u>	<u>\$ 15,202,446</u>	<u>\$ 21,133,775</u>

NOTE 8 - 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.

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Descriptions (Continued):

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. 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. 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.

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 capped amounts for 2014 calendar years are shown in the table below, as negotiated.

	2013			2014		
	Single	Two Party	Family	Single	Two Party	Family
Hired before July 1, 2012	\$ 668.63	\$ 1,337.26	\$ 1,634.43	\$ 742.72	\$ 1,485.44	\$ 1,759.64
Hired on or after July 1, 2012	668.63	1,337.26	1,479.25	742.72	1,485.44	1,556.30

The District will pay the above amounts for up to 5 years after retirement or until age 65, whichever comes first. Thereafter, 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 \$51.75 per month for 2013 and \$59.90 per month for 2014.

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 capped amounts for 2014 calendar years are shown in the table below, as negotiated.

	2013			2014		
	Single	Two Party	Family	Single	Two Party	Family
Hired before July 1, 2012	\$ 668.63	\$ 1,337.26	\$ 1,634.43	\$ 742.72	\$ 1,485.44	\$ 1,759.64
Hired on or after July 1, 2012	668.63	1,337.26	1,479.25	742.72	1,485.44	1,556.30

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.

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Plan Description (Concluded):

Medical Benefits (Concluded):

Certificated (Concluded)

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. 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 \$51.75 per month for 2013 and \$59.50 per month for 2014.

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.

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.

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.

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 296 eligible active employees and 41 eligible retirees covered under the OPEB plan as of July 1, 2013, 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 for fiscal years 2013-14 and 2014-15, and plans on doing the same for fiscal year 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.

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2015, the amount actually contributed to the plan, and changes in the District's net OPEB obligation that resulted in a net OPEB obligation of \$1,997,452 for the year ended June 30, 2015:

Calculation of ARC under Projected Unit Credit Cost Method

Annual required contribution (ARC)	\$	674,364
Interest on net OPEB obligation		142,871
Adjustment to ARC		<u>(184,377)</u>
Annual OPEB cost (expense)		632,858
Contributions for the fiscal year		<u>(674,283)</u>
Decrease in net OPEB obligation		(41,425)
Net OPEB obligation - June 30, 2014		<u>2,038,877</u>
Net OPEB obligation - June 30, 2015	\$	<u><u>1,997,452</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, 2015	\$ 632,858	106.5%	\$ 1,997,452
June 30, 2014	641,553	104.4%	2,038,877
June 30, 2013	854,613	18.3%	2,066,840

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.

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

Actuarial Methods and Assumptions (Concluded):

In the July 1, 2013, actuarial valuation, the liabilities were computed using the projected unit credit cost method and the District's unfunded actuarial accrued liability (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, 2013 for the 2014-15 fiscal year was 15 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 6.75% which grades down to an ultimate rate of 4.5% by 2081 and beyond.

NOTE 9 - RETIREMENT PLANS

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

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

Plan Descriptions, Benefits Provided and Employees Covered

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

Defined Benefit Program:

The Defined Benefit Program has two benefit formulas: (1) CalSTRS 2% at 60 with members first hired on or before December 31, 2012, to perform services that could be creditable to CalSTRS and (2) CalSTRS 2% at 62 with members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS. Members are eligible for normal retirement at age 60 (CalSTRS 2% at 60) or age 62 (CalSTRS 2% at 62), with a minimum of five years of credited service. After earning five years of credited service, members become fully vested in retirement benefits.

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Plan Descriptions, Benefits Provided and Employees Covered (Continued)

Defined Benefit Program (Concluded):

There is a postretirement annual benefit adjustment increase of 2.0 percent per year on a simple basis and this benefit is vested for members who pay the higher contribution rates enacted in AB 1469, or retired in 2014. The Defined Benefit Program provides retirement benefits based on a members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. The Teachers' Retirement Law (Education Code Section 22000 et. seq.), as enacted and amended by the California Legislature, established the plan and CalSTRS as the administrator. The benefit terms of the plan may be amended through legislation.

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

Defined Benefit Supplement Program:

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

Cash Balance Benefit Program:

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

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Plan Descriptions, Benefits Provided and Employees Covered (Concluded)

STRP Replacement Benefits Program:

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

Contributions

Defined Benefit Program:

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

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

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

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Contributions (Concluded)

Defined Benefit Program (Concluded):

State: The required contribution was 2.017% of the members' creditable earnings from the fiscal year ending in the prior calendar year. In addition, beginning October 1, 1998, a statutory contribution rate of 0.524%, adjustable annually in 0.25% increments up to a maximum of 1.505%, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b).

This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments beginning in October 1, 2013, at an additional contribution rate of 1.024%.

The amount of District contributions to CalSTRS for the fiscal year ended June 30, 2015, was 8.88% of applicable member earnings in the fiscal year. The District's contribution to CalSTRS for the fiscal year ended June 30, 2015 was \$1,543,377.

Defined Benefit Supplement Program

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

Cash Balance Benefit Program

The District does not participate in this program.

STRP Replacement Benefits Program

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

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods and Assumptions

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

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

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

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

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

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods and Assumptions (Concluded)

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

* 10-year geometric average

Discount Rate

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

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

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

	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	\$ 32,920,327	\$ 21,119,853	\$ 11,280,402

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Pension Plan's Fiduciary Net Position

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

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

The State of California is considered to be a nonemployer contributing entity of the STRP. The state's proportionate share of the collective net pension liability used in the proportionate share calculation was 37.65% for the year ended June 30, 2014. The District's proportionate share of the STRP net pension liability and deferred items was calculated by multiplying the District's proportionate share of contributions for employers and nonemployer contributing entity by the aggregate amounts reported by CalSTRS as of June 30, 2014. As of June 30, 2015, the District reported a liability of \$21,119,853 for its proportionate share of the net pension liability.

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

	CalSTRS
Proportion - June 30, 2013	0.0361%
Proportion - June 30, 2014	0.0361%
Change - Increase (Decrease)	0.0000%

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$1,823,181. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to measurement date	\$ 1,543,377	
District's Proportionate share of State On-Behalf payments subsequent to measurement date	817,169	
Net difference between projected and actual earnings on plan investments *		\$ 5,200,579
Totals	\$ 2,360,546	\$ 5,200,579

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

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

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

\$1,543,377 reported as deferred outflows of resources were related to District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. The District also recognized revenue in the amount of \$817,169 for their proportionate support provided by the state as on-behalf payments subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2016	\$ 1,300,145
2017	1,300,145
2018	1,300,145
2019	1,300,144

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

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

Contributions

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

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Contributions (Concluded)

The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 shall pay the higher of fifty percent of normal costs or 6.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2015 was 11.771% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2015 was \$651,037.

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

As of June 30, 2015, the District reported a liability of \$5,505,349 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2013 and June 30, 2014 was as follows:

	CalPERS
Proportion - June 30, 2013	0.0485%
Proportion - June 30, 2014	0.0485%
Change - Increase (Decrease)	0.0000%

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$489,313. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 651,037	
Net difference between projected and actual earnings on pension plan investments		\$ 1,891,700
Totals	\$ 651,037	\$ 1,891,700

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - RETIREMENT PLANS (CONTINUED)

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

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

\$651,037 reported as deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2016	\$ 472,925
2017	472,925
2018	472,925
2019	472,925

Actuarial Assumptions

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

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

(1) Varies by entry age and service

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

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

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

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

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate

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

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

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

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

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

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.

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - RETIREMENT PLANS (CONCLUDED)

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

Discount Rate (Concluded)

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

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

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

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

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	Discount Rate -1% 6.50%	Current Discount Rate 7.5%	Discount Rate +1% 8.50%
District's proportionate share of the net pension liability	\$ 9,567,640	\$ 5,505,349	\$ 2,035,693

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 an employee vest immediately. The District contributes 6.2% of an employee's gross earnings. In addition, each employee was required to contribute 6.2% of their gross earnings.

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - LONG-TERM LIABILITIES

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

	Balances July 1, 2014	Additions	Deductions	Balances June 30, 2015	Due within One Year
Compensated Absences	\$ 100,887	\$ 97,929	\$ 100,887	\$ 97,929	\$ 97,929
General Obligation Bonds:					
Current Interest	59,800,000			59,800,000	75,000
Capital Appreciation	19,627,467	1,021,228	2,820,000	17,828,695	2,931,505
Bond Premium	454,101		18,104	435,997	18,104
Other Post Employment Benefits	2,038,877	632,858	674,283	1,997,452	
Net Pension Liability - CalSTRS *	25,818,213		4,698,360	21,119,853	
Net Pension Liability - CalPERS *	7,491,164		1,985,815	5,505,349	
Totals *	<u>\$ 115,330,709</u>	<u>\$ 1,752,015</u>	<u>\$ 10,297,449</u>	<u>\$ 106,785,275</u>	<u>\$ 3,122,538</u>

* The July 1, 2014 balances have been adjusted to reflect the restatement discussed in Note 18 of these financial statements.

The general obligation bonds are obligations of the Bond Interest & Redemption Fund. All other long-term liabilities are obligations of the General Fund.

NOTE 11 - FUND BALANCES

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

	General Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Totals
Nonspendable	\$ 5,500			\$ 5,500
Restricted	721,258	\$ 4,739,781	\$ 52,178	5,513,217
Committed			5,588	5,588
Assigned	4,706,581		566,577	5,273,158
Unassigned:				
Economic Uncertainties	<u>5,767,922</u>			<u>5,767,922</u>
Totals	<u>\$ 11,201,261</u>	<u>\$ 4,739,781</u>	<u>\$ 624,343</u>	<u>\$ 16,565,385</u>

NOTE 12 - 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 \$817,169 to CalSTRS (5.678848% of salaries subject to CalSTRS).

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - OPERATING LEASES

Facilities / Portables

The District leases certain excess facilities to others. The rental revenue from these leases for the 2014-15 fiscal year was \$1,019,934. 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.

NOTE 14 - RISK MANAGEMENT

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

NOTE 15 - 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 16 - ECONOMIC DEPENDENCY

During fiscal year 2014-15, the District received \$9,776,939 of parcel tax revenue that is subject to voter approval.

NOTE 17 - 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.

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 17 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

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.

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, 2015, the outstanding balance on this loan is \$1,219,310.

NOTE 18 - RESTATEMENT OF NET POSITION

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

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

	<u>Statement of Activities</u>
Net Position - July 1, 2014 (as originally stated)	\$ <u>4,661,463</u>
Understatement of Net Pension Liability - CalSTRS	(25,818,213)
Understatement of Net Pension Liability - CalPERS	(7,491,164)
Understatement of Deferred Outflow of Resources - CalSTRS	1,320,962
Understatement of Deferred Outflow of Resources - CalPERS	<u>583,428</u>
Net Restatement	<u>(31,404,987)</u>
Net Position - July 1, 2014 (as restated)	\$ <u>(26,743,524)</u>

MILL VALLEY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 19 - SIGNIFICANT TRANSACTIONS WITH COMPONENT UNIT

Mill Valley Schools Community Foundation (Kiddo!) donated \$2,407,922 in cash to the District during fiscal year 2014-15, 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 16.

NOTE 20 - 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 4, 2015, 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.

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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 11,063,289	\$ 2,284,099	\$ 2,283,263	\$ (836)
Local Sources	8,895,240	17,998,965	18,252,288	253,323
Total LCFF Sources	19,958,529	20,283,064	20,535,551	252,487
Federal Revenue	857,255	965,719	945,311	(20,408)
Other State Revenue	651,452	922,224	1,859,304	937,080
Other Local Revenue	15,223,075	17,142,526	16,380,683	(761,843)
Total Revenues	36,690,311	39,313,533	39,720,849	407,316
<u>Expenditures</u>				
Certificated Salaries	18,253,516	18,310,233	18,068,991	241,242
Classified Salaries	5,676,636	5,797,704	5,549,166	248,538
Employee Benefits	8,425,665	9,222,043	9,039,467	182,576
Books and Supplies	1,028,580	2,668,761	1,961,090	707,671
Services and Other				
Operating Expenditures	2,612,886	3,867,529	3,813,979	53,550
Capital Outlay	25,000	25,000	27,365	(2,365)
Other Expenditures	371,528	261,091	169,289	91,802
Total Expenditures	36,393,811	40,152,361	38,629,347	1,523,014
Excess of Revenues Over (Under) Expenditures	296,500	(838,828)	1,091,502	1,930,330
<u>Other Financing (Uses)</u>				
Operating Transfers Out	(27,500)	(27,500)	(12,500)	15,000
Net Change in Fund Balances	269,000	(866,328)	1,079,002	<u>\$ 1,945,330</u>
Fund Balances - July 1, 2014	10,122,259	10,122,259	10,122,259	
Fund Balances - June 30, 2015	<u>\$ 10,391,259</u>	<u>\$ 9,255,931</u>	<u>\$ 11,201,261</u>	

**MILL VALLEY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015**

	Deferred Maintenance	Cafeteria
<u>Assets</u>		
Deposits and Investments	\$ 21,726	\$ 22,189
Receivables		10,473
Total Assets	\$ 21,726	\$ 32,662
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts Payable	\$ 16,138	\$ 12,904
Total Liabilities	16,138	12,904
Fund Balances:		
Restricted		19,758
Committed	5,588	
Assigned		
Total Fund Balances	5,588	19,758
Total Liabilities and Fund Balances	\$ 21,726	\$ 32,662

<u>Capital Facilities</u>	<u>Building</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
\$ 32,613		\$ 566,577	\$ 643,105
2,946			13,419
<u>\$ 35,559</u>	<u>\$ 0</u>	<u>\$ 566,577</u>	<u>\$ 656,524</u>
\$ 3,139			\$ 32,181
<u>3,139</u>			<u>32,181</u>
32,420			52,178
		\$ 566,577	5,588
<u>32,420</u>		<u>566,577</u>	<u>566,577</u>
<u>\$ 35,559</u>	<u>\$ 0</u>	<u>\$ 566,577</u>	<u>\$ 624,343</u>
			<u>\$ 656,524</u>

**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, 2015**

	Deferred Maintenance	Cafeteria
<u>Revenues</u>		
Federal Revenue		\$ 81,639
State Revenue		3,747
Local Revenue	\$ 106	492,575
Total Revenues	106	577,961
<u>Expenditures</u>		
Current:		
Food Services		590,260
Other General Administration		
Plant Services	124,485	
Facilities Acquisition and Construction	189,600	
Total Expenditures	314,085	590,260
Excess of Revenues Over (Under) Expenditures	(313,979)	(12,299)
<u>Other Financing Sources (Uses)</u>		
Operating Transfers In		12,500
Operating Transfers Out		
Total Other Financing Sources (Uses)	0	12,500
Net Change in Fund Balances	(313,979)	201
Fund Balances - July 1, 2014	319,567	19,557
Fund Balances - June 30, 2015	\$ 5,588	\$ 19,758

<u>Capital Facilities</u>	<u>Building</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
			\$ 81,639
			3,747
\$ 260,661	\$ 390	\$ 1,238	754,970
<u>260,661</u>	<u>390</u>	<u>1,238</u>	<u>840,356</u>
			590,260
5,501			5,501
22,500			146,985
343,241	390	525,129	1,058,360
<u>371,242</u>	<u>390</u>	<u>525,129</u>	<u>1,801,106</u>
<u>(110,581)</u>	<u>0</u>	<u>(523,891)</u>	<u>(960,750)</u>
(85,000)		85,000	97,500
<u>(85,000)</u>	<u>0</u>	<u>85,000</u>	<u>(85,000)</u>
(85,000)			12,500
(195,581)		(438,891)	(948,250)
228,001	0	1,005,468	1,572,593
<u>\$ 32,420</u>	<u>\$ 0</u>	<u>\$ 566,577</u>	<u>\$ 624,343</u>

MILL VALLEY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Actuarial Valuation Date</u>	<u>Value of Assets *</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
7/1/13	\$ 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%
1/1/11	\$ 0	\$ 2,159,158	\$ 2,159,158	0%	\$ 17,828,380	12.1%

* As of the Actuarial Valuation Date

As of June 30, 2015, 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 \$1,298,819.

MILL VALLEY SCHOOL DISTRICT

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

JUNE 30, 2015

<u>CalSTRS</u>	<u>6/30/14 *</u>
District's proportion of the collective net pension liability	0.0361%
District's proportionate share of the collective net pension liability	\$ 21,119,853
Portion of state's total proportionate share of the collective net pension liability associated with the District	<u>500,002</u>
Total collective net pension liability attributed to District	<u>\$ 21,619,855</u>
District's covered-employee payroll	\$ 16,097,406
District's proportionate share of the collective net pension liability as a percentage of covered-employee payroll	131.20%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

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

MILL VALLEY SCHOOL DISTRICT

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

JUNE 30, 2015

<u>CalPERS</u>	<u>6/30/14 *</u>
District's proportion of the collective net pension liability	0.0485%
District's proportionate share of the collective net pension liability	\$ 5,505,349
District's covered-employee payroll	\$ 5,090,753
District's proportionate share of the collective net pension liability as a percentage of covered-employee payroll	108.14%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

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

MILL VALLEY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - CALSTRS

JUNE 30, 2015

<u>CalSTRS</u>	<u>6/30/14 *</u>
Statutorily required District contributions (actuarially determined)	\$ 1,543,377
Contributions recognized by pension plan in relation to the statutorily required District contributions	<u>1,543,377</u>
Contribution deficiency (excess)	<u>\$ 0</u>
District's covered-employee payroll	\$ 17,380,372
Contributions recognized by pension plan in relation to statutorily required District contribution as a percentage of covered-employee payroll	8.880%

Methods and Assumptions Used to Determine Contribution Rates

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

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

Changes in Benefit Terms

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

Changes of Assumptions

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

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

MILL VALLEY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - CALPERS

JUNE 30, 2015

<u>CalPERS</u>	<u>6/30/14 *</u>
Contractually required District contribution (actuarially determined)	\$ 651,037
Contributions recognized by pension plan in relation to the contractually required District contributions	<u>651,037</u>
Contribution deficiency (excess)	<u>\$ 0</u>
District's covered-employee payroll	\$ 5,530,855
Contributions recognized by pension plan in relation to contractually required District contribution as a percentage of covered-employee payroll	11.771%

Methods and Assumptions Used to Determine Contribution Rates

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

Changes in Benefit Terms

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

Changes of Assumptions

There were no changes in assumptions.

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

**MILL VALLEY SCHOOL DISTRICT
ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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>
Leslie Wachtel	President	November 2015
Robin Moses	Vice-President / Clerk	November 2017
Todd May	Member	November 2017
Marco Pardi	Member	November 2017
Bob Jacobs	Member	November 2015

ADMINISTRATION

Paul Johnson
Superintendent

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

MILL VALLEY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	P-2 Report			
	TK / K - 3	4 - 6	7 - 8	Total
Regular	1,420.54	1,055.67	655.17	3,131.38
Extended Year Special Education	0.99	0.46	0.35	1.80
Special Education - Nonpublic	0.39		1.85	2.24
Extended Year Special Education - Nonpublic			0.14	0.14
Totals	1,421.92	1,056.13	657.51	3,135.56

	Annual Report			
	TK / K - 3	4 - 6	7 - 8	Total
Regular	1,421.15	1,056.76	654.27	3,132.18
Extended Year Special Education	0.99	0.46	0.35	1.80
Special Education - Nonpublic	0.54		1.87	2.41
Extended Year Special Education - Nonpublic			0.14	0.14
Totals	1,422.68	1,057.22	656.63	3,136.53

MILL VALLEY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Grade Level</u>	<u>Minutes Required</u>	<u>Adjusted Minutes Required</u>	<u>2014-15 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	35,000	37,705	180	N/A	In Compliance
Grade 1	50,400	49,000	52,270	180	N/A	In Compliance
Grade 2	50,400	49,000	52,270	180	N/A	In Compliance
Grade 3	50,400	49,000	52,270	180	N/A	In Compliance
Grade 4	54,000	52,500	53,180	180	N/A	In Compliance
Grade 5	54,000	52,500	53,180	180	N/A	In Compliance
Grade 6	54,000	52,500	56,519	180	N/A	In Compliance
Grade 7	54,000	52,500	56,519	180	N/A	In Compliance
Grade 8	54,000	52,500	56,519	180	N/A	In Compliance

MILL VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Identification Number</u>	<u>Federal Program Expenditures</u>
U.S. Department of Agriculture:			
Passed through California Department of Education (CDE):			
National School Lunch	10.555	13524	\$ 81,639
U.S. Department of Education:			
Passed through CDE:			
NCLB: Title I - Basic Grants Low-Income & Neglected	84.010	14329	225,603
NCLB: Title II - Improving Teacher Quality	84.367	14341	40,717
NCLB: Title III - Limited English Proficient	84.365	14346	9,365
NCLB: Title III - Immigrant Education Program	84.365	15146	7,449
Passed through Marin County SELPA:			
<i>Special Education Cluster:</i>			
IDEA Part B Basic Local Assistance	84.027	13379	425,634
IDEA Part B Mental Health Services	84.027A	14468	37,093
IDEA Preschool Grants	84.173	13430	41,688
IDEA Part B Preschool Local Entitlement	84.027A	13682	101,928
U.S. Department of Health and Human Services:			
Passed through Contra Costa County Office of Education:			
Medi-Cal Billing	93.778	10013	<u>55,834</u>
Total			<u>\$ 1,026,950</u>

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

	General Fund	Special Reserve for Post Employment Benefits Fund
June 30, 2015 Annual Financial and Budget Report Fund Balances	\$ 9,967,008	\$ 1,234,253
Reclassification Increasing (Decreasing) Fund Balances:		
Reclassification of Fund Balances	<u>1,234,253</u>	<u>(1,234,253)</u>
June 30, 2015 Audited Financial Statements Fund Balances	<u>\$ 11,201,261</u>	<u>\$ 0</u>

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.

Auditor's Comments

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

MILL VALLEY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	GENERAL FUND			
	(Budget) * 2015-16	2014-15	2013-14	2012-13
Revenues and Other Financial Sources	\$ 39,520,799	\$ 39,720,849	\$ 37,302,530	\$ 32,188,670
Expenditures	38,099,275	38,629,347	34,771,802	30,668,489
Other Uses and Transfers Out	10,000	12,500	671,540	12,600
Total Outgo	38,109,275	38,641,847	35,443,342	30,681,089
Change in Fund Balance	1,411,524	1,079,002	1,859,188	1,507,581
Ending Fund Balance	\$ 12,612,785	\$ 11,201,261	\$ 10,122,259	\$ 8,263,071
Available Reserves	\$ 7,399,444	\$ 5,767,922	\$ 7,220,765	\$ 5,662,670
Reserve for Economic Uncertainties **	\$ 7,399,444	\$ 5,767,922	\$ 7,220,765	\$ 5,662,670
Available Reserves as a Percentage of Total Outgo	19.4%	14.9%	20.4%	18.5%
Average Daily Attendance at P-2	3,125	3,136	3,148	3,032
Total Long-Term Liabilities ***	\$ 103,662,737	\$ 106,785,275	\$ 115,330,709	\$ 83,711,184

* Amounts reported for the 2015-16 budget are presented for analytical purposes only and have not been audited.

** Reported balances are a component of available reserves.

*** The amount reported for fiscal year 2013-14 has been adjusted to reflect the restatement discussed in Note 18 of these financial statements.

The fund balance of the General Fund increased \$2,938,190 (35.6%) over the past two years. The fiscal year 2015-16 budget projects an increase of \$1,411,524. 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 \$1,079,002, \$1,859,188 and \$1,507,581 during fiscal years 2014-15, 2013-14 and 2012-13, respectively.

Average daily attendance (ADA) increased 104 ADA over the past two years. The District anticipates a decrease of 11 ADA during fiscal year 2015-16.

Total long-term liabilities increased \$23,074,091 over the past two years due primarily to the implementation of Governmental Accounting Standards Board Statement No. 68 (GASB 68), which is discussed in Note 18 of these financial statements.

MILL VALLEY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

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

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

B. Combining Statements

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

C. Schedule of Funding Progress

In accordance with Governmental Accounting Standards Board (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 (or funding excess), 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 (or funding excess) to annual covered payroll.

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

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

E. Schedule of Contributions

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

MILL VALLEY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

F. Schedule of Average Daily Attendance

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

G. Schedule of Instructional Time

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

H. Schedule of Expenditures of Federal Awards

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

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

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

J. Schedule of Financial Trends and Analysis

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

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliances requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-15 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting (K-12 Audit Guide)*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about 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>
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Not Applicable
Regional Occupational Centers or Programs Maintenance of Effort	Not Applicable
Adult Education Maintenance of Effort	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	No (see below)
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/ Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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. We did not perform procedures for the California Clean Energy Jobs Act because the District did not have any program expenditures in fiscal year 2014-15.

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, 2015.

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 4, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2015. 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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 4, 2015

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 OMB CIRCULAR A-133

Board of Education
Mill Valley School District
Mill Valley, California

Report on Compliance for Each Major Federal Program

We have audited Mill Valley School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Mill Valley School District's major federal programs for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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 Mill Valley School District's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 4, 2015

FINDINGS AND QUESTIONED COSTS SECTION

MILL VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)

	_____ Yes	_____ <input checked="" type="checkbox"/> 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: \$300,000

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

State Awards

Internal control over state programs:

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

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

MILL VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no matters to report for the fiscal year ended June 30, 2015.

MILL VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2015.

MILL VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2015.

**MILL VALLEY SCHOOL DISTRICT
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

There were no matters reported in the prior audit report.

