

**LAS LOMITAS ELEMENTARY
SCHOOL DISTRICT
COUNTY OF SAN MATEO
MENLO PARK, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2016



CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1475 SARATOGA AVE., SUITE 180
SAN JOSE, CA 95129

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SAN MATEO COUNTY**

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SAN MATEO COUNTY**

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FINANCIAL
SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Education
Las Lomas Elementary School District
Menlo Park, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Las Lomas Elementary School District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinions

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

Other Matters

New Accounting Pronouncements

As discussed in Note 1 to the financial statements, the District adopted the provisions GASB Statement No. 72, Fair Value Measurement and Application, GASB Statement No. 79, Certain External Investment Pools and Pool Participants, and GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective June 30, 2016. Our opinion is not modified with respect to these matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and the other information listed in the supplementary section of the table of contents, as required by the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the other information listed in



the supplementary section of the table of contents are the responsibility of management and were derived from and relates 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 and individual nonmajor fund financial statements and the other information listed in the supplementary section of the table of contents 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 November 30, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

November 30, 2016
San Jose, California

Management's Discussion and Analysis

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This discussion and analysis of the Las Lomitas Elementary School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2015-2016 are as follows:

- Total net position from governmental activities was \$11,587,466 as of June 30, 2016.
- General revenue accounted for \$28,288,435 of the District's \$29,846,014 in total revenue.
- The District's total assets increased by \$1,477,976 or 2% from June 30, 2015 mostly because of additions to capital assets. Total liabilities increased by \$650,667 or 1% from June 30, 2015, mostly because increases to net pension liabilities as required by GASB 68.
- The District had \$29,129,044 in expenditures for all governmental funds, excluding other financing uses.
- Among major funds, the General Fund had \$25,394,751 in revenues and \$23,548,355 in expenditures, exclusive of interfund transfers. The fund balance in the General Fund increased by \$1,846,396 from June 30, 2015 to June 30, 2016.

Using the Annual Report

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand Las Lomitas Elementary School District as a financial whole, an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the District-wide financial statements and provide information about the activities of the District as a whole, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of Las Lomitas Elementary School District, the General Fund is by far the most significant fund.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Overview of the Financial Statements

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, Management's Discussion and Analysis. The three sections together provide a comprehensive financial overview of the District. The basic financials are comprised

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

of two kinds of statements that present financial information from different perspectives, district-wide and funds.

- District-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, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining 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 section provides further explanations and additional support for the financial statements.

District-Wide Financial Statements - Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2015 - 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and change in net position. The change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, and pupil transportation. The District does not have any business like activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins with the balance sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund, and Bond Interest and Redemption Fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary funds

The District is the trustee for assets that belong to the La Entrada Student Council. The District is responsible for ensuring that the assets reported are used only for intended purposes and by those to whom the assets belong. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations.

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position as of June 30, 2016.

Table 1 - Summary of Statement of Net Position				
	2016	2015	Change	Percentage Change
Assets				
Current & Other Assets	\$ 47,258,907	\$ 46,457,540	\$ 801,367	1.72%
Capital Assets	29,113,663	28,437,054	676,609	2.38%
Total Assets	\$ 76,372,570	\$ 74,894,594	\$ 1,477,976	1.97%
Total Deferred Outflows of Resources	\$ 3,556,056	\$ 2,409,799	\$ 1,146,257	32.23%
Liabilities				
Current Liabilities	\$ 2,107,511	\$ 2,332,303	\$ (224,792)	-9.64%
Long-term Liabilities	63,572,905	62,697,446	875,459	1.40%
Total Liabilities	\$ 65,680,416	\$ 65,029,749	\$ 650,667	1.00%
Total Deferred Outflows of Resources	\$ 2,660,744	\$ 5,139,522	\$ (2,478,778)	-93.16%
Net Position				
Net Investment in Capital Assets	\$ 6,990,370	\$ 6,906,630	\$ 83,740	1.21%
Restricted	8,349,907	8,438,686	(88,779)	-1.05%
Unrestricted	(3,752,811)	(8,210,194)	4,457,383	-54.29%
Total Net Position	\$ 11,587,466	\$ 7,135,122	\$ 4,452,344	62.40%

The District's net position was \$11,587,466. Of this amount \$6,990,370 was invested in capital assets net of debt.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Table 2 shows the change in net position for fiscal year 2015-2016.

Table 2 - Summary of Changes in Statement of Activities				
	2016	2015	Change	Percentage Change
Revenues				
Program revenues	\$ 1,557,579	\$ 1,172,559	\$ 385,020	32.84%
General revenues:				
Property taxes	20,628,147	20,311,804	316,343	1.56%
Grants and entitlements - unrestricted	1,920,080	1,217,972	702,108	57.65%
Other	5,740,208	5,138,495	601,713	11.71%
Total Revenues	29,846,014	27,840,830	2,005,184	7.20%
Program Expenses				
Instruction	16,122,357	15,190,575	931,782	6.13%
Instruction-related services	2,359,008	2,141,417	217,591	10.16%
Pupil services	1,516,524	1,395,771	120,753	8.65%
General administration	1,863,631	1,662,885	200,746	12.07%
Plant services	1,922,222	1,869,057	53,165	2.84%
Other outgo	216,598	202,463	14,135	6.98%
Interest on long-term debt	2,295,235	2,726,939	(431,704)	-15.83%
Total Expenses	26,295,575	25,189,107	1,106,468	4.39%
Change in Net Position	3,550,439	2,651,723	898,716	33.89%
Begininng Net Position	7,135,122	23,718,602	(16,583,480)	-69.92%
Prior Period Adjustment - GASB 68	901,905	(19,235,203)	20,137,108	100.00%
Begininng Net Position as Restated	8,037,027	4,483,399	3,553,628	79.26%
Ending Net Position	\$ 11,587,466	\$ 7,135,122	\$ 4,452,344	62.40%

The District's total revenues increased by 7.2% from 2014-15 to 2015-16. Local property taxes in 2015-16 increased by 1.56% over the prior year. These local taxes are a combination of incremental increases in residential property taxes, restricted to service the debt on the District's Measure S general obligation bonds, and regular residential property taxes.

Instruction, Instruction-Related Services, and Pupil Services increases were due to the hiring of additional staff to accommodate changing student enrollment, program needs, and negotiated salary schedule increases for both 2014-15 and 2015-16 which were paid in the 2015-16 fiscal year. Interest expenses on the general obligation bond decreased in 2015-16 largely due to the refunding of the 2005 General Obligation Bonds in 2014-15.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Governmental Activities

Direct Instruction Costs comprise 61 percent of district expenses. The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by General Fund Revenues.

Table 3 - Net Cost of Services				
	2016	2015	Change	Percentage Change
Instruction	\$ 15,001,706	\$ 14,338,297	\$ 663,409	4.63%
Instruction-related services	2,276,021	2,069,071	206,950	10.00%
Pupil services	1,395,055	1,278,926	116,129	9.08%
General administration	1,845,567	1,645,853	199,714	12.13%
Plant services	1,922,222	1,869,057	53,165	2.84%
Other outgo	2,190	88,405	(86,215)	-97.52%
Interest on long-term debt	2,295,235	2,726,939	(431,704)	-15.83%
Total Net Cost of Services	\$ 24,737,996	\$ 24,016,548	\$ 721,448	3.00%

Direct Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupil Services and Instruction-Related Services include the activities involved with assisting staff with the content and process of teaching to pupils.

General Administration includes the costs for the Board of Trustees, administration, fiscal and business services and other expenses associated with administrative and financial supervision of the District.

Plant Services includes the operation and maintenance of plant activities to keep the school grounds, buildings, and equipment in an effective working condition.

Other Outgo includes payment to the County Office of Education and other school districts for providing services for Special Education students.

Interest and Fiscal Charges involve the transactions associated with the payment of interest and other related charges to debt of the District.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The District's Funds

The District's governmental funds report a combined fund balance of \$45,120,962, which is an increase from last year's total of \$44,951,729. Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

Table 4 - Summary of Fund Balances				
	2016	2015	Change	Percentage Change
General Fund	\$ 12,782,401	\$ 10,936,005	\$ 1,846,396	16.9%
Deferred Maintenance Fund	1,117,723	973,345	144,378	14.8%
Building Fund	23,151,533	24,967,158	(1,815,625)	100.0%
Capital Facilities Fund	483,673	404,731	78,942	19.5%
Special Reserve Fund for Capital Outlay Projects	427,198	447,117	(19,919)	-4.5%
Bond Interest and Redemption Fund	7,158,434	7,223,373	(64,939)	-0.9%
Total Fund Balances	\$ 45,120,962	\$ 44,951,729	\$ 169,233	0.4%

General Fund Budgeting Highlights

The District's budget is prepared according to California law and is based on the modified accrual basis of accounting.

The District's budget is prepared according to California law and in the modified accrual basis of accounting. During the course of the 2015-16 fiscal year, the District revised its General Fund budget twice, at 1st Interim and 2nd interim, which resulted in an increase in budgeted expenditures of \$1,823,865 million from the original to final budget. The overall increase in expenditures was due to increases in employee salaries, benefits and books and supplies. The General Fund budget basis revenue increased by \$1,621,578 from original to final budgets.

Capital Assets

At the end of the fiscal year 2015-16, the District had \$49,254,445 invested in land, buildings, furniture and equipment. Table 5 summarizes the District's capital assets, net of depreciation.

Table 5 - Summary of Capital Assets Net of Depreciation				
	2016	2015		Percentage
	Net	Net		Change
	Capital Asset	Capital Asset	Change	
Land	\$ 3,502,038	\$ 3,502,038	\$ -	0.00%
Construction in progress	355,110	355,110	-	100.00%
Site Improvements	1,441,716	1,575,683	(133,967)	-8.50%
Buildings and Improvements	22,946,017	21,933,404	1,012,613	4.62%
Property and Equipment	868,782	1,070,819	(202,037)	-18.87%
Total Capital Assets - Net	\$ 29,113,663	\$ 28,437,054	\$ 676,609	2.38%

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Long Term Liabilities

Table 6 - Summary of Long-term Liabilities				
	2016	2015	Change	Percentage Change
General Obligation Bonds	\$ 41,360,000	\$ 42,129,458	\$ (769,458)	-1.83%
Unamortized Bond Premiums	4,339,803	4,887,540	(547,737)	-11.21%
Net Pension Liabilities	17,685,960	15,497,998	2,187,962	14.12%
Compensated Absences	187,142	182,450	4,692	2.57%
Total Long-term Liabilities	\$ 63,572,905	\$ 62,697,446	\$ 875,459	1.40%

On March 11, 2016, the District issued \$11,495,000 of 2016 General Obligation Refunding Bonds. The bonds refunded \$12,515,000 of 2005 General Obligation Refunding Bonds resulting in nearly \$1 million in savings to local tax payers.

In November of 2013, the voters of the District approved a new bond measure for the District to repair and improve aging schools by issuing \$60,000,000 in bonds at legal rates, with citizens' oversight, and no money for administrators. The District will build classrooms for increased student enrollment, update or replace aging classrooms to meet current health and safety codes, renovate heating and electrical systems to save on energy costs, support 21st century instructional technology, and acquire, repair, or construct sites, facilities and equipment. In fiscal year 2016, the District issued \$30,000,000 from the approved bond measure and refunded all outstanding bonds for a total issuance of \$41,495,000.

Factors Bearing on the District's Future

The District's 2016-17 budget and multi-year projections include projected movement on the salary schedules for units earned and years of service. Negotiated salary increases for employees are added to the budget at the time of the specific employee group's settlement. Certificated staffing was added to the multi-year projections as a result of attrition, to maintain instructional program needs, and as a result of growing student enrollment. Classified staffing increased by the addition of Special Education paraeducators as required by student IEPs and custodial hours were increased to accommodate the expansion in the number of portable classrooms.

Enrollment growth had been approximately 5% per year. This growth has slowed and enrollment for the last two years has been flat. The District has been studying this pattern and is budgeting for continued enrollment growth and additional facilities at a more modest rate. Costs for Special Education services continue to increase and the District is constantly differentiating programs to better serve all of its students and to provide improved services to targeted students within the District.

As the state moves towards full implementation of the Local Control Funding Formula, Las Lomitas Elementary School District will remain a Basic Aid funded district. This means that the District will continue to rely on local property taxes as the largest single source of revenue. Increases to revenue will primarily be determined by taxes assessed on local property valuations and the stability of this revenue will vary with the local economy. The District's property tax income for 2016-17 is projected to be 6.5% more than in 2015-16. In subsequent years property tax revenues are projected to increase by 5%.

Ongoing sources of State Revenue are limited to Lottery funding, the Mandated Cost Block Grant, and the STRS On Behalf Contribution. Flat funding for state revenue is budgeted for the two out years in the multi-year projections. The Las Lomitas Education Foundation grant to the District is budgeted for

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

\$2,200,000 and sources indicate the Foundation will meet this base amount. Parcel tax revenue is expected to remain constant as the number of seniors eligible for exemption has stabilized since approving the tax in 2007. Rental income is adjusted annually according to the individual lease agreements with the District's three tenants.

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 Steven Fuentes, Chief Business Officer, Las Lomas Elementary School District, 1011 Altschul Avenue, Menlo Park, CA 94025.

Basic Financial Statements

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets	
Current assets:	
Cash and investments	\$ 45,545,544
Accounts receivable	827,429
Total current assets	<u>46,372,973</u>
Noncurrent assets:	
OPEB Asset	885,934
Capital assets:	
Nondepreciable	3,857,148
Depreciable - net	25,256,515
Capital assets - net	<u>29,113,663</u>
Total noncurrent assets	<u>29,999,597</u>
Total Assets	<u><u>\$ 76,372,570</u></u>
 Deferred Outflows of Resources	
Deferred loss on early retirement of long-term debt	\$ 424,977
Pension plan contributions	3,131,079
Total Deferred Outflows of Resources	<u><u>\$ 3,556,056</u></u>
 Liabilities	
Current liabilities:	
Accounts payable	\$ 1,035,217
Unearned revenue	216,794
Accrued interest	855,500
Total current liabilities	<u>2,107,511</u>
Long-term liabilities:	
Due within one year:	
General obligation bonds payable	3,815,000
Due after one year:	
General obligation bonds payable	37,545,000
Unamortized bond premium	4,339,803
Net pension liability	17,685,960
Compensated absences payable	187,142
Total due after one year	<u>59,757,905</u>
Total long-term liabilities	<u>63,572,905</u>
Total Liabilities	<u><u>\$ 65,680,416</u></u>
 Deferred Inflows of Resources	
Net difference between projected and actual earnings from pension plans	\$ 2,660,744
Total Deferred Inflows of Resources	<u><u>\$ 2,660,744</u></u>
 Net Position	
Net investment in capital assets	\$ 6,990,370
Restricted for:	
Debt service	7,158,434
Educational programs	1,191,473
Total restricted net position	<u>8,349,907</u>
Unrestricted	<u>(3,752,811)</u>
Total Net Position	<u><u>\$ 11,587,466</u></u>

The notes to basic financial statements are an integral part of this statement.

**LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

		Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
	Expenses	Services	Grants and	Changes in
			Contributions	Net Position
Governmental activities				
Instruction	\$ 16,122,357	\$ 36,856	\$ 1,083,795	\$ (15,001,706)
Instruction-related services:				
Supervision of instruction	748,599	3,263	42,080	(703,256)
Instruction library, media and technology	339,509	-	2,700	(336,809)
School site administration	1,270,900	12	34,932	(1,235,956)
Pupil services:				
Home-to-school transportation	508,204	-	-	(508,204)
Food services	31,038	-	-	(31,038)
All other pupil services	977,282	5,334	116,135	(855,813)
General administration:				
Data processing	436,010	-	7,501	(428,509)
All other general administration	1,427,621	-	10,563	(1,417,058)
Plant services	1,922,222	-	-	(1,922,222)
Other outgo	216,598	5,323	209,085	(2,190)
Interest on long-term debt	2,295,235	-	-	(2,295,235)
Total governmental activities	<u>\$ 26,295,575</u>	<u>\$ 50,788</u>	<u>\$ 1,506,791</u>	<u>(24,737,996)</u>
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				16,145,097
Taxes levied for debt service				3,284,356
Taxes levied for other specific purposes				1,198,694
Federal and state aid not restricted to specific purposes				1,920,080
Interest and investment earnings				663,425
Rental income				2,061,418
Miscellaneous				3,015,365
Total general revenues				<u>28,288,435</u>
Change in net position				<u>3,550,439</u>
Net position beginning				7,135,122
Prior period adjustment - GASB 68				<u>901,905</u>
Net position beginning as adjusted				<u>8,037,027</u>
Net position ending				<u>\$ 11,587,466</u>

The notes to basic financial statements are an integral part of this statement.

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 12,792,560	\$ 23,582,995	\$ 7,143,407	\$ 2,026,582	\$ 45,545,544
Accounts receivable	755,198	52,773	15,027	4,431	827,429
Due from other funds	28,241	-	-	-	28,241
Total Assets	<u>\$ 13,575,999</u>	<u>\$ 23,635,768</u>	<u>\$ 7,158,434</u>	<u>\$ 2,031,013</u>	<u>\$ 46,401,214</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 576,804	\$ 455,994	\$ -	\$ 2,419	\$ 1,035,217
Due to other funds	-	28,241	-	-	28,241
Unearned revenue	216,794	-	-	-	216,794
Total Liabilities	<u>793,598</u>	<u>484,235</u>	<u>-</u>	<u>2,419</u>	<u>1,280,252</u>
Fund balances:					
Nonspendable:					
Revolving fund	1,000	-	-	-	1,000
Restricted for:					
Educational programs	1,191,473	-	-	-	1,191,473
Capital projects	-	23,151,533	-	-	23,151,533
Debt service	-	-	7,158,434	-	7,158,434
Committed for:					
Salaries and benefits	2,602,333	-	-	-	2,602,333
Repairs and maintenance	-	-	-	1,117,723	1,117,723
Assigned for:					
Capital projects	7,079,416	-	-	427,198	7,506,614
Educational programs	650,378	-	-	-	650,378
Site repairs	-	-	-	483,673	483,673
Unassigned:					
Economic uncertainties	706,451	-	-	-	706,451
Unappropriated	551,350	-	-	-	551,350
Total Fund Balances	<u>12,782,401</u>	<u>23,151,533</u>	<u>7,158,434</u>	<u>2,028,594</u>	<u>45,120,962</u>
Total Liabilities and Fund Balances	<u>\$ 13,575,999</u>	<u>\$ 23,635,768</u>	<u>\$ 7,158,434</u>	<u>\$ 2,031,013</u>	<u>\$ 46,401,214</u>

The notes to basic financial statements are an integral part of this statement.

**LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total fund balances - governmental funds		\$	45,120,962
Amounts reported for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$49,254,445 and the accumulated depreciation is \$20,140,782.			29,113,663
Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the governmental funds.			(855,500)
Contributions made to pension plans will not be included in the calculation of the District's net pension liability of the plan year included in this report and have been deferred and reported as deferred outflows of resources.			3,131,079
The difference between projected and actual earnings from pension plan assets is not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the statement of net position.			(2,660,744)
The difference between the reacquisition price and net carrying value of long-term debt when a bond is refunded is recorded as a deferred loss on the early retirement of long-term debt and a deferred inflow in the government-wide statement of net position and amortized over the remaining life of the refunded debt or refunding debt, whichever is shorter. This transaction is not a current financial resource and is not included in the governmental fund statements.			424,977
Net OPEB assets are not available to pay for current period expenditures and, therefore, are not recognized in the governmental funds statements.			885,934
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:			
General obligation bonds	\$	41,360,000	
Net pension liabilities		17,685,960	
Unamortized bond premium		4,339,803	
Compensated absences (vacation)		<u>187,142</u>	<u>(63,572,905)</u>
Total net position - governmental activities		\$	<u><u>11,587,466</u></u>

The notes to basic financial statements are an integral part of this statement.

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
LCFF sources	\$ 16,932,875	\$ -	\$ -	\$ 158,000	\$ 17,090,875
Federal	289,890	-	-	-	289,890
Other state	1,864,838	-	7,963	-	1,872,801
Other local	6,307,148	204,479	3,332,437	200,647	10,044,711
Total revenues	25,394,751	204,479	3,340,400	358,647	29,298,277
Expenditures:					
Instruction	16,041,992	-	-	-	16,041,992
Instruction-related services:					
Supervision of instruction	737,638	-	-	-	737,638
Instruction library, media and technology	280,266	-	-	-	280,266
School site administration	1,260,778	-	-	-	1,260,778
Pupil services:					
Home-to-school transportation	480,347	-	-	-	480,347
Food services	31,491	-	-	-	31,491
All other pupil services	982,509	-	-	-	982,509
General administration:					
Data processing	442,376	-	-	-	442,376
All other general administration	1,434,504	-	-	-	1,434,504
Plant services	1,620,285	-	-	155,246	1,775,531
Facility acquisition and construction	19,571	2,020,104	-	-	2,039,675
Other outgo	216,598	-	-	-	216,598
Debt service:					
Principal	-	-	769,458	-	769,458
Interest and fees	-	-	2,635,881	-	2,635,881
Total expenditures	23,548,355	2,020,104	3,405,339	155,246	29,129,044
Excess (deficiency) of revenues over (under) expenditures	1,846,396	(1,815,625)	(64,939)	203,401	169,233
Other financing sources (uses):					
Operating transfers in	-	-	244,201	-	244,201
Operating transfers out	-	-	(244,201)	-	(244,201)
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	1,846,396	(1,815,625)	(64,939)	203,401	169,233
Fund balances beginning	10,936,005	24,967,158	7,223,373	1,825,193	44,951,729
Fund balances ending	\$ 12,782,401	\$ 23,151,533	\$ 7,158,434	\$ 2,028,594	\$ 45,120,962

The notes to basic financial statements are an integral part of this statement.

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

Total net change in fund balances - governmental funds	\$ 169,233
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions of \$1,796,650 is greater than than depreciation expense of \$1,120,041.	676,609
The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:	
Repayment of bond principal	769,458
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt:	547,737
In governmental funds, deferred loss on early retirement of long-term debt is recognized as other finances uses. In the government-wide statements, the deferred losses on early retirement of long-term debt is amortized over the life of the debt. The difference between other financing uses and amortization is:	(168,941)
In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	704,109
In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation time earned was greater than the amount used by:	(4,692)
In the statement of activities, the net postemployment benefit asset is the amount by which the contributions toward the OPEB plan were more than the annual required contribution as actuarially determined. The net postemployment benefit is not recorded in the governmental fund statements. The change in the net OPEB was recorded in the statement of activities in the amount of	347,339
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	509,587
Changes in net position of governmental activities	<u>\$ 3,550,439</u>

The notes to basic financial statements are an integral part of this statement.

LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Student Body Agency Fund
Assets	
Cash on hand and in banks	\$ 4,026
Total Assets	<u>\$ 4,026</u>
Liabilities	
Due to student group	\$ 4,026
Total Liabilities	<u>\$ 4,026</u>

The notes to basic financial statements are an integral part of this statement.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

The Las Lomitas Elementary School District (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).

B. Reporting Entity

The District was organized under the laws of the State of California. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District provides educational services to grades kindergarten through eighth and operates one elementary school and one middle school. The District’s combined financial statements include the accounts of all its operations.

Component Units:

The District evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit’s reporting entity for financial reports is the ability of the governmental unit’s elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit’s power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2016, the District does not have any component units and is not a component unit of any other reporting entity.

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. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide 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

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

statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include the reconciliation with brief explanations to better identify the relationship between the government wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that 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 nonmajor 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, deferred outflows of resources, current liabilities and deferred inflows of resources 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. On a 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 60 days after year-end.

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

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.

Deferred Outflows/Deferred Inflows:

Deferred outflows of resources are consumptions of net assets by the government that are applicable to a future reporting period. For example, prepaid items and deferred charges.

Deferred inflows of resources are acquisitions of net assets by the government that are applicable to a future reporting period. For example, unearned revenue and advance collections.

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 deferred inflows of resources from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources from unearned revenue.

Expenses/Expenditures:

On the 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, and fiduciary funds as follows:

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

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund and includes transactions accounted for in the Special Reserve Fund for Other Than Capital Outlay and Special Reserve Fund for Postemployment Benefits.

The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

The *Bond Interest and Redemption Fund* is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the interest and redemption of principal of the funding of general obligation bonds issued by the District.

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains one nonmajor special revenue fund:

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

Capital Projects Funds are used to account for resources restricted, committed or assigned for capital outlays. The District maintains two nonmajor capital projects fund:

- The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
- The *Special Reserve Fund for Capital Projects* exists primarily to account for major repairs of buildings and operational systems, construction or remodeling, new or replacement equipment, and any other qualifying capital expenditures.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the student body accounts. The student body funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles 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.

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

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplementary Information.

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.

G. Encumbrances

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

H. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and STRS. 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.

I. Assets, Liabilities, and Equity

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

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

2. Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. This statement changed the definition of fair value and is effective for periods beginning after June 15, 2015.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

3. Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method, in that inventory acquisitions are initially recorded as expenditures. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not “available for appropriation and expenditure” even though they are a component of net current assets.

The District’s central warehouse inventory is valued at a moving average cost and consists of expendable supplies held for consumption. The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

4. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and 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.

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

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvement of sites	20
Buildings	50
Portable buildings	20
Building improvements	20
Furniture and fixtures	20
Playground equipment	20
Food services equipment	15
Transportation equipment	15
Telephone system	10
Vehicles	8
Computer system and equipment	5
Office equipment	5

5. 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 and timing requirements have been met. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. Unearned revenue in the funds is recorded for grant and entitlement receivables that are not available within ninety days of year end and for cash receipts from grants and entitlements for which the District has not met the eligibility requirements for recognizing revenue. Security deposits for leased facilities are recorded as unearned in the government-wide statements and deferred in the fund statements.

6. Compensated Absences

All vacation pay plus related payroll tax is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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.

7. Long-Term Obligations

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

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 are reported as other financing sources/uses.

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

8. Fund Balance Classifications

The District maintains a minimum unassigned fund balance of not less than 3 percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The District believes a reserve of this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues to which basic aide districts are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- *Nonspendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* fund balances includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.
- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Superintendent and the Assistant Superintendent of Business Services.
- *Unassigned* fund balance includes positive amounts within the general fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

In order to comply with the requirements of GASB 54, the District has combined transactions in the Special Reserve fund for Other than Capital Outlay (Special Reserve Fund) with the General Fund because those funds do not meet the definition of a special revenue fund as defined by GASB 54.

9. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of

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resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Capital Projects restrictions will be used for the acquisition and construction of capital facilities.

Debt Service restrictions reflect the cash balances in the debt service funds that are restricted for debt service payments by debt covenants.

Educational Program restrictions reflect the amounts to be expended on specific school programs that are legally restricted.

Unrestricted net position reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

10. Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

Until full implementation, however, local educational agencies (LEAs) will receive roughly the same amount of funding they received in 2012–13 plus an additional amount each year to bridge the gap between current funding levels and the new LCFF target levels. The budget projects the time frame for full implementation of the LCFF to be eight years.

The county is responsible for assessing, collecting, and apportioning property taxes. 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 March 1, which is also the lien date. Property taxes on the secured roll are due on August 31 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 (March 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 alternate 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.

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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 revenue limit sources by the District.

11. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other school districts in the County to form the San Mateo County Schools Insurance Group (SMCSIG) public entity risk pools currently operating as common risk management and insurance programs. The District pays an annual premium for its property and casualty, workers' compensation, medical, unemployment and liability insurance coverage. The Joint Powers Agreements provide that SMCSIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels.

12. Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. 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. Transfers among governmental funds are eliminated as part of the reconciliation to the government-wide financial statements.

13. Accounting Estimates

The presentation 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 the reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

14. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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I. Implemented New Accounting Pronouncements

GASB Statement No. 72, *Fair Value Measurement and Application*

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The provisions of GASB Statement No. 72 (GASB 72) are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged.

GASB 72 provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The statement generally requires state and local governments to measure investments at fair value. The statement defines an *investment* as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. *Fair value* is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. The statement requires that acquisition value (an entry price) be used to measure the following assets:

- a. donated capital assets;
- b. donated works of art, historical treasures, and other similar assets; and
- c. capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

GASB 72 requires that sound and consistent valuation techniques be used to determine fair value. The valuation techniques should maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The valuation technique used should be consistent with one or more of three approaches that are appropriate in the circumstances: the market approach, cost approach, and income approach. Valuation techniques should be applied consistently from period to period. A change in valuation technique or its application is appropriate if it achieves a measurement that is equally or more representative of an asset's fair value under the circumstances.

Inputs to valuation techniques used to measure fair value are categorized into three levels as noted in the investments disclosure section.

The implementation of GASB 72 did not have a significant impact on the District's financial statements and did not result in any prior period restatements or adjustments.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The purpose of GASB Statement No. 76 (GASB 76) is to identify the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. GASB Statement No. 76 supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

GASB 76 reduces the authoritative sources of GAAP from four categories to two. According to the statement, "The sources of authoritative GAAP are categorized in descending order of authority as follows:

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- a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A).
- b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B)."

Sources of nonauthoritative accounting literature are identified in paragraph 7 of GASB 76, and includes GASB Concepts Statements.

The implementation of GASB 76 did not have a significant impact on the District's financial statements and did not result in any prior period restatements or adjustments.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*

GASB 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in GASB 79. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in GASB 79 and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in GASB 79, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

GASB 79 establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The requirements of GASB 79 are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

The implementation of GASB 79 did not have a significant impact on the District's financial statements and did not result in any prior period restatements or adjustments.

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J. Upcoming New Accounting Pronouncements

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

Management anticipates that this statement will not have a direct impact on the District's financial statements.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit

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payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer District provides financial support for OPEB of employees of another District.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The District is in the process of determining the impact this statement will have on the financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*

GASB Statement No. 77, *Tax Abatement Disclosures*, addresses financial reporting about the nature and magnitude of tax abatements of governmental entities. The statement requires that governments that enter into tax abatements disclose more comprehensive information about the agreements, including the following:

- a. Brief descriptive information including what tax is being abated, the authority under which the abatement is provided, and the eligibility criteria
- b. The gross dollar amount of taxes abated during the period
- c. Other commitments made by a government as part of the agreement

The complete disclosure requirements are provided in paragraphs 7 and 8 of GASB 77. GASB 77 is effective for periods beginning after December 15, 2015. The District does not anticipate a material impact on its financial statements from the implementation of this standard.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Prior to the issuance of this GASB 78, the requirements of GASB 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through

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pension plans that are administered through trusts that meet the criteria in paragraph 4 of that statement.

GASB 78 amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

The District does not anticipate a material impact on its financial statements from the implementation of this standard.

NOTE 2 - CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2016 is as follows:

<u>Deposit or Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Investment Rating</u>
<i>Government-Wide Statements:</i>			
Cash in county treasury investment pool	\$45,543,221	\$45,682,583	AA
Cash with fiscal agent	1,323	1,323	n/a
Cash in revolving fund	1,000	1,000	n/a
Total Government-Wide Cash and Investments	45,545,544	45,684,906	
<i>Fiduciary Funds:</i>			
Cash in banks	4,026	4,026	n/a
Total Cash and Investments	<u>\$45,549,570</u>	<u>\$45,688,932</u>	

Cash in banks and revolving funds

Cash balances in banks and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2016, the bank balance of the District's bank accounts was fully insured by FDIC.

Cash in County Treasury

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 fair value of the District's investment in the pool is reported in the accounting financial statements at amounts 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). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

As of June 30, 2016, the cash in the County investment pool of \$45,682,583 was valued using Level 2 inputs

Policies and Practices

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.

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

1. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains cash with the County of San Mateo Investment Pool. The pool has a fair value of approximately \$1.368 billion and an amortized book value of \$1.372 billion.

2. Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the San Mateo County Investment Pool is governed by the County's general investment policy. The investment with the San Mateo County Investment Pool is rated at least Aa1 by Moody's Investor Service.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a 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

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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.

3. 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. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 - ACCOUNTS AND NOTES RECEIVABLE

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

Accounts Receivable	General Fund	Building Fund	Bond Interest Redemption Fund	Nonmajor Funds	Total
Federal Government:					
Special Education	\$ 253,145	\$ -	\$ -	\$ -	\$ 253,145
State Government:					
Lottery	156,173	-	-	-	156,173
Special Education	232,533	-	-	-	232,533
Other State	10	-	-	-	10
Interest	17,881	-	-	-	17,881
Other Resources	95,456	52,773	15,027	4,431	167,687
Total Accounts Receivable	<u>\$ 755,198</u>	<u>\$ 52,773</u>	<u>\$ 15,027</u>	<u>\$ 4,431</u>	<u>\$ 827,429</u>

NOTE 4 - INTERFUND TRANSACTIONS

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/expenses. 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. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To)

Interfund receivables and payables consisted of \$28,241 receivable in the General Fund from the Building Fund for the purpose of reimbursing the general fund for capital expenditures.

Interfund Transfers

There were no interfund transfers that required disclosure for the fiscal year ended June 30, 2016.

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NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital assets consisted of the following as of June 30, 2016:

Capital Assets	Balance July 01, 2015	Adjustments & Additions	Deletions	Balance June 30, 2016
Land - not depreciable	\$ 3,502,038	\$ -	\$ -	\$ 3,502,038
Construction in progress	355,110	-	-	355,110
Site improvements	5,405,423	-	-	5,405,423
Buildings and improvements	35,868,276	1,772,556	-	37,640,832
Furniture and equipment	2,326,948	24,094	-	2,351,042
Total capital assets	47,457,795	1,796,650	-	49,254,445
Less accumulated depreciation for:				
Site improvements	3,829,740	133,967	-	3,963,707
Buildings and improvements	13,934,872	759,943	-	14,694,815
Furniture and equipment	1,256,129	226,131	-	1,482,260
Total accumulated depreciation	19,020,741	1,120,041	-	20,140,782
Total capital assets - net depreciation	\$ 28,437,054	\$ 676,609	\$ -	\$ 29,113,663

Depreciation expense was charged to governmental activities as follows:

Function	Amount
Instruction	\$ 772,210
Supervision of instruction	21,894
Instruction library, media and technology	64,201
School site administration	28,682
Home-to-school transportation	35,279
All other pupil services	9,045
All other general administration	13,967
Plant services	174,763
Total depreciation expense	\$ 1,120,041

NOTE 6 - SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

The following is a schedule of changes in long-term liabilities for the year ended June 30, 2016:

Long-term Debt	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
General obligation bonds	\$42,129,458	\$ -	\$ 769,458	\$41,360,000	\$ 3,815,000
Unamortized bond premium	4,887,540	-	547,737	4,339,803	-
Net pension liability	15,497,998	2,187,962	-	17,685,960	-
Compensated absences	182,450	4,692	-	187,142	-
Total Long-term Debt	\$62,697,446	\$ 2,192,654	\$ 1,317,195	\$63,572,905	\$ 3,815,000

Payments on the general obligation bonds are made by the bond interest and redemption fund from local revenues. The accrued vacation will be paid by the fund for which the employee worked.

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NOTE 7 - LONG-TERM DEBT

Through elections, the District received authorization to issue general obligation bonds that requires the county to levy annual ad valorem taxes for the payment of interest and principal on the bonds. Bond proceeds are used to build additional classrooms and to perform repairs and renovations.

On March 11, 2015, the District issued \$11,495,000 of 2015 General Obligation Refunding Bonds. The bonds were issued under and pursuant to a Resolution of the Board of Education. Interest is payable on July 1 and January 1 and principal is payable on July 1 each year through maturity. The proceeds of the Bonds were used to refund a portion of the outstanding principal of the District's 2005 General Obligation Refunding Bonds in the amount of \$12,515,000. The proceeds of the prior bonds were used to defease various General Obligation Bonds. The proceeds of the new bonds have been used to purchase U.S. Government Securities that were placed in separate irrevocable trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the advance refunding met the requirements of an in-substance debt defeasance and therefore was removed as a liability from the District's government-wide financial statements. The advance refunding of the 2005 general obligation refunding bonds resulted in a difference of \$253,678 between the reacquisition price and the net carrying value amount of the old debt. The difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged (amortized) to operations through fiscal year 2021 using the straight line method. The District completed the advance refunding to reduce its total debt service payments over the next 5 years by \$520,968 and received a premium of \$1,392,509.

On March 11, 2015 the District issued \$30,000,000 of 2013 General Obligation Bonds, Series A, to finance construction projects and facilities improvements. Gross proceeds from the bond were \$32,673,476, which included a premium of \$2,673,476. Net proceeds of \$32,370,550 were deposited with the County in the District's name, after bond issuance costs of \$211,815 and underwriter's discounts of \$91,111. Of the net proceeds deposited, \$29,788,185 was deposited into the Measure S building fund and \$2,585,365 was recorded in the bond interest and redemption fund.

The outstanding General Obligation Bond debt consisted of the following as of June 30, 2016:

Bonds	Year Issued	Interest Rate	Year of Maturity	Original Issue	Outstanding July 01, 2015	Redeemed	Outstanding June 30, 2016
2005 GOB	2005	3.9-5.0%	2020	\$22,129,944	\$ 634,458	\$634,458	\$ -
2013 GOB, Series A	2015	1.75-5%	2041	30,000,000	30,000,000	-	30,000,000
2015 GOB Refunding	2015	1.75-5%	2021	11,495,000	11,495,000	135,000	11,360,000
Total Bonds				<u>\$63,624,944</u>	<u>\$42,129,458</u>	<u>\$769,458</u>	<u>\$41,360,000</u>

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
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The annual debt service requirements of the General Obligation Bonds consisted of the following as of June 30, 2016:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,815,000	\$ 1,677,619	\$ 5,492,619
2018	4,060,000	1,563,088	5,623,088
2019	2,345,000	1,423,313	3,768,313
2020	2,635,000	1,300,313	3,935,313
2021	2,930,000	1,164,738	4,094,738
2022-2026	2,010,000	5,297,790	7,307,790
2027-2031	4,290,000	4,546,440	8,836,440
2032-2036	7,525,000	3,195,053	10,720,053
2037-2041	11,750,000	1,252,396	13,002,396
<u>Total Debt Service</u>	<u>\$ 41,360,000</u>	<u>\$ 21,420,750</u>	<u>\$ 62,780,750</u>

NOTE 8 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The District participates in a joint venture under a joint powers agreement (JPA) with the San Mateo County Schools Insurance Group (SMCSIG). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. The SMCSIG arranges and provides workers' compensation, medical, property and liability insurance for its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The following is a summary the JPA financial statement information:

	<u>SMCSIG</u> <u>June 30, 2015</u>
Total Assets & Deferred Outflows	\$ 19,703,399
Total Liabilities & Deferred Inflows	9,451,640
Total Equity	10,251,759
Total Revenues	38,557,922
Total Expenditures	36,282,954

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

A. California Public Employees Retirement System (CalPERS/PERS) Pension Plan

General Information about the PERS Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. 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.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Tier 1	Tier 2
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	50	62
Monthly benefits as a % of eligible compensation	2.0%	2.0%
Required employee contribution rates	7%	6.00%
Required employer contribution rates	11.85%	11.85%

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

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. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for the Plan were as follows:

	Total
Contributions - employer	\$ 397,586
Contributions - employee	237,873
Total contributions	<u>\$ 635,459</u>

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Plan	<u>\$ 3,940,650</u>

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

	Proportion of Net Pension Liability
Proportion - June 30, 2014	0.0257%
Proportion - June 30, 2015	0.0267%
Change in Net Pension Liability	<u>0.0010%</u>

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

For the year ended June 30, 2016, the District recognized pension expense of \$587,411 for the Plan. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 416,678	\$ -
Changes in assumptions	-	(273,513)
Differences between expected and actual experiences	254,410	-
Net differences between projected and actual earnings on plan investments	731,113	(883,537)
Total	<u>\$ 1,402,201</u>	<u>\$ (1,157,050)</u>

The District reported \$416,678 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Measurement Periods Ended June 30:	Deferred Outflows/(inflows) of Resources
2016	\$ (118,321)
2017	(118,321)
2018	(117,662)
2019	182,778
Total	<u>\$ (171,526)</u>

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

Actuarial Assumptions - The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent 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 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) 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. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term

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

(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 rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	9.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total Allocation	<u>100.00%</u>		

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

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

Sensitivity of the 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 for the Plan, calculated using the discount rate for the Plan, 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 or 1-percentage point higher than the current rate:

1% Decrease	6.65%
Net Pension Liability	\$ 6,413,737
Current Discount Rate	7.65%
Net Pension Liability	\$ 3,940,650
1% Increase	8.65%
Net Pension Liability	\$ 1,884,114

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

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

B. California State Teachers' Retirement System (STRS) Pension Plan

General Information about the STRS Pension Plan

Plan Description - The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

Benefits Provided - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The cost of living adjustments for the Plan are applied as specified by the retirement Law. The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Tier 1	Tier 2
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	50	55
Monthly benefits as a % of eligible compensation	2%	2%
Required employee contribution rates	9.20%	8.56%
Required employer contribution rates	10.73%	10.73%

Contributions - As part of the annual valuation process, the Normal Cost rate is determined as the basis for setting the base member contribution rate for the following fiscal year. Generally, the base member contribution rate is one-half of the Normal Cost rate within certain parameters. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for the Plan were as follows:

	Total
Contributions - employer	\$ 2,352,885
Contributions - employee	577,300
Total contributions	<u>\$ 2,930,185</u>

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

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Plan	\$ 13,747,575

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

	Proportion of Net Pension Liability
Proportion - June 30, 2014	0.0230%
Proportion - June 30, 2015	0.0204%
Change in Net Pension Liability	-0.0026%

For the year ended June 30, 2016, the District recognized pension expense of \$854,036 for the Plan. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,728,878	\$ -
Changes in assumptions	-	-
Differences between expected and actual experiences	-	(241,408)
Net differences between projected and actual earnings on plan investments	-	(1,262,286)
Total	\$ 1,728,878	\$ (1,503,694)

The District reported \$1,728,878 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR 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 as pension expense as follows:

Measurement Periods Ended June 30:	Deferred Outflows/(inflows) of Resources
2016	\$ (582,774)
2017	(582,774)
2018	(582,774)
2019	244,628
Total Outflows/(Inflows) - Net	<u>\$ (1,503,694)</u>

Actuarial Assumptions - The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.60%
Inflation	3.00%
Payroll Growth	3.75%
Projected Salary Increase	0.5% - 5.6% (1)
Investment Rate of Return	7.60% (2)
Mortality	(3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using STRS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.60 percent. 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 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the plan'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.

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

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 rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)
Global Equity	51.00%	4.50%
Fixed Income	20.00%	0.20%
Inflation Sensitive	5.00%	3.20%
Private Equity	10.00%	6.20%
Real Estate	13.00%	4.35%
Liquidity	1.00%	0.00%
Total Allocation	<u>100.00%</u>	

(a) 10-year geometric average.

Sensitivity of the 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 for the Plan, calculated using the discount rate for the Plan, 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 or 1-percentage point higher than the current rate:

1% Decrease		6.60%
Net Pension Liability	\$	23,380,420
Current Discount Rate		7.60%
Net Pension Liability		14,624,432
1% Increase		8.60%
Net Pension Liability	\$	8,922,390

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued STRS financial reports.

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

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Postemployment Healthcare Plan

Plan Description

The District's Postemployment Healthcare Plan (PHP) is a single-employer defined benefit healthcare plan including medical, dental, and vision benefits for the following groups of employees.

	Certificated	Classified
Benefit types provided	Medical only	Medical only
Duration of benefits	Lifetime*	Lifetime**
	10 Years at age 60	10 Years at age 65
Required service	Plus one year per additional year before age 60	Plus one year per additional year before age 65 to a maximum of 20 years at age 55
Minimum age	55	55
Dependent coverage	No	No
District contribution %	50%	60%
District cap	50% of least expensive of four plans with greatest participation	60% of least expensive plan

* Those hired after 12/31/2010 are eligible for these benefits only to Medicare age

** Those hired after 5/31/2011 are eligible for these benefits only to Medicare age

Funding Policy

The required contribution to the PHP is based on projected pay-as-you-go financing requirements. For the fiscal year ended June 30, 2016, the District contributed \$657,094 to the plan from payment of current premiums and current retiree benefits.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 309,755
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>309,755</u>
Contributions made	<u>(657,094)</u>
Increase in net OPEB obligation	(347,339)
Net OPEB obligation (asset) - beginning of year	<u>(538,595)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (885,934)</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 259,086	279%	\$ (72,047)
6/30/2015	259,086	280%	(538,595)
6/30/2016	309,755	212%	(885,934)

Funded Status and Progress of the Plan

The following summarizes the funded status of the plan as of June 30, 2016:

Actuarial accrued liability (AAL)	\$ 5,243,736
Value of plan assets	<u>3,200,082</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 2,043,654</u></u>
Funded ratio (value of plan assets/AAL)	61%
Projected covered payroll (active Plan members)	\$ 14,697,215
UAAL as a percentage of covered payroll	13.91%

Actuarial Methods and Assumptions

In the Entry Age Normal method, the cost of each individual's OPEB benefits is amortized on a straight-line basis over his/her working career. For each employee, a "normal cost" is computed, the amount which, if accumulated during each year of employment, will at retirement be sufficient to fund the expected benefits for that individual. The sum of all the individual normal costs for all employees is called the Normal Cost. The accumulated value of all normal costs attributed to prior years, including the full value of benefits for all currently retired employees, is called the Actuarial Accrued Liability. The unfunded Actuarial Accrued Liability is amortized over a period of future years. The longest amortization period permitted under GASB 45 is 30 years. The ARC is the sum of the Normal Cost and the amortization of the unfunded Actuarial Accrued Liability. The remaining amortization period at June 30, 2016, was twenty-five years.

The actuarial assumptions included a discount rate of 7% per year, an annual healthcare cost trend rate of 4%, and payroll increases of 2.75% per year. The discount rate is the interest rate at which future benefit

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

obligations are discounted back to the present time. GASB 45 requires that the discount rate reflect the expected investment return on the District's investments.

Required Supplementary Information (OPEB Schedule of Funding Progress)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c))
7/1/2011	-	5,645,829	5,645,829	0.00%	10,226,169	55.21%
6/30/2013	1,567,575	3,637,440	2,069,865	43.10%	14,303,859	14.47%
7/1/2015	2,746,085	5,243,736	2,497,651	52.37%	14,697,215	16.99%

REQUIRED
SUPPLEMENTARY
INFORMATION

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

	Budgeted Amounts			Variance with Final Budget Positive - (Negative)
	Original	Final	Actual (GAAP Basis)	
Revenues:				
LCFF sources	\$ 16,642,671	\$ 16,950,198	\$ 16,932,875	\$ (17,323)
Federal	293,943	289,890	289,890	-
Other state	1,098,614	1,864,835	1,864,838	3
Other local	5,763,476	6,315,359	6,307,148	(8,211)
Total revenues	23,798,704	25,420,282	25,394,751	(25,531)
Expenditures:				
Certificated salaries	11,875,692	11,428,269	11,426,946	1,323
Classified salaries	3,317,183	3,437,616	3,437,469	147
Employee benefits	4,324,678	4,882,841	4,843,786	39,055
Books and supplies	1,188,751	1,515,447	1,016,916	498,531
Services and other operating expenses	2,863,309	4,074,042	2,562,975	1,511,067
Capital outlay	34,000	57,665	43,665	14,000
Other outgo	185,000	216,598	216,598	-
Total expenditures	23,788,613	25,612,478	23,548,355	2,064,123
Excess (deficiency) of revenues over (under) expenditures	10,091	(192,196)	1,846,396	2,038,592
Other financing sources (uses):				
Operating transfers in	673,323	820,656	-	(820,656)
Operating transfers out	(673,323)	(820,656)	-	820,656
Total other financing sources (uses)	-	-	-	-
Change in fund balance	\$ 10,091	\$ (192,196)	1,846,396	\$ 2,038,592
Fund balance beginning			10,936,005	
Fund balance ending			\$ 12,782,401	

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CALPERS PENSION PLAN CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	2016	2015
Contractually Required Contributions (Actuarially Determined)	\$ 418,970	\$ 397,586
Contributions in Relation to Actuarially Determined Contributions	418,970	397,586
Contribution Deficiency (Excess)	-	-
 Covered Employee Payroll	 \$ 3,536,799	 \$ 3,448,274
 Contributions as a Percentage of Covered Payroll	 11.85%	 11.53%

Notes to Schedule:

Valuation Date: June 30, 2014
Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll (Closed) Used Amortization Method
3.9 Years Remaining Amortization Period
Inflation Assumed at 2.75%
Investment Rate of Returns set at 7.5%
CalPERS mortality table using 20 years of membership data for all funds

** Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CALPERS PROPORTIONATE SHARE
OF NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	2016	2015
District's Proportion of Net Pension Liability	0.02673%	0.02570%
District's Proportionate Share of Net Pension Liability	\$ 3,938,385	\$ 2,917,576
District's Covered Employee Payroll	\$ 3,536,799	\$ 3,448,274
District's Proportionate Share of NPL as a % of Covered Employee Payroll	111.35%	84.61%
Plan's Fiduciary Net Position as a % of the TPL	78.77%	83.38%

** Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF STRS PENSION PLAN CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	2016	2015
Contractually Required Contributions (Actuarially Determined)	\$ 1,181,452	\$ 950,041
Contributions in Relation to Actuarially Determined Contributions	1,181,452	950,041
Contribution Deficiency (Excess)	-	-
 Covered Employee Payroll	 \$ 11,022,192	 \$ 10,709,600
 Contributions as a Percentage of Covered Payroll	 10.72%	 8.87%

Notes to Schedule:

Valuation Date: June 30, 2014
Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll (Closed) Used Amortization Method
30 Years Remaining Amortization Period
Inflation Assumed at 3.0%
Investment Rate of Returns set at 7.6%
STRS mortality table using membership data for all funds

** Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF STRS PROPORTIONATE SHARE
OF NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
District's Proportion of Net Pension Liability	0.02042%	0.02300%
District's Proportionate Share of Net Pension Liability	\$13,747,575	\$12,580,422
District's Covered Employee Payroll	\$11,022,192	\$10,709,600
 District's Proportionate Share of NPL as a % of Covered Employee Payroll	 124.73%	 117.47%
 Plan's Fiduciary Net Position as a % of the TPL	 76.93%	 76.52%

** Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

SUPPLEMENTARY
INFORMATION

**LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR FUNDS
JUNE 30, 2016**

	Special Revenue Funds	Capital Projects Funds		
	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Totals
Assets				
Cash and investments	\$ 1,115,251	\$ 483,293	\$ 428,038	\$ 2,026,582
Accounts receivable	2,472	1,011	948	4,431
Total Assets	<u>\$ 1,117,723</u>	<u>\$ 484,304</u>	<u>\$ 428,986</u>	<u>\$ 2,031,013</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 631	\$ 1,788	\$ 2,419
Total Liabilities	<u>-</u>	<u>631</u>	<u>1,788</u>	<u>2,419</u>
Fund balances:				
Committed for repairs and maintenance	\$ 1,117,723	\$ -	\$ -	\$ 1,117,723
Assigned for capital projects	-	-	427,198	427,198
Assigned for site repairs	-	483,673	-	483,673
Total Fund Balances	<u>1,117,723</u>	<u>483,673</u>	<u>427,198</u>	<u>2,028,594</u>
Total Liabilities and Fund Balances	<u>\$ 1,117,723</u>	<u>\$ 484,304</u>	<u>\$ 428,986</u>	<u>\$ 2,031,013</u>

**LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Special Revenue Funds	Capital Projects Funds		
	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Totals
Revenues:				
LCFF sources	\$ 158,000	\$ -	\$ -	\$ 158,000
Other local	8,178	188,958	3,511	200,647
Total revenues	166,178	188,958	3,511	358,647
Expenditures:				
Plant services	21,800	110,016	23,430	155,246
Total expenditures	21,800	110,016	23,430	155,246
Excess (deficiency) of revenues over (under) expenditures	144,378	78,942	(19,919)	203,401
Fund balances beginning	973,345	404,731	447,117	1,825,193
Fund balances ending	\$ 1,117,723	\$ 483,673	\$ 427,198	\$ 2,028,594

COMPLIANCE SECTION

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
ORGANIZATION
FOR THE YEAR ENDED JUNE 30, 2016**

The Las Lomas Elementary School District was established in 1904 in San Mateo County, California. There were no changes in boundaries during the current year. The District is comprised of one elementary and one middle school.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Christine Marie Heaton	President	2018
Richard Ginn	Clerk	2018
William Steinmetz	Member	2016
John Earnhardt	Member	2018
Diane Honda	Member	2016

Administration

Lisa Cesario
Superintendent

Steven Fuentes
Chief Business Officer

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

	Total ADA		Classroom Based	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA:				
Grades TK/K through three	529.77	532.11	529.77	532.11
Grades four through six	477.70	475.50	477.70	475.50
Grades seven and eight	247.73	246.93	247.73	246.93
Regular ADA Totals	1,255.20	1,254.54	1,255.20	1,254.54
Special education - nonpublic, nonsect schools:				
Grades TK/K through three	1.97	1.92	1.97	1.92
Grades four through six	0.89	0.93	0.89	0.93
Extended year special education - nonpublic, nonsect schools:				
Grades TK/K through three	2.00	2.00	2.00	2.00
Grades four through six	0.81	0.81	0.81	0.81
Regular ADA Totals	1,260.87	1,260.20	1,260.87	1,260.20
Basic Aid Choice/Court-Ordered Voluntary Pupil Transfer ADA:				
Grades TK/K through three	35.23	35.04	35.23	35.04
Grades four through six	36.27	36.26	36.27	36.26
Grades seven and eight	16.53	16.48	16.53	16.48
Grades nine through twelve	-	-	-	-
Regular ADA Totals	88.03	87.78	88.03	87.78

**LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME OFFERED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Grade Level	Minutes Requirements	2016 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,000	180	0	In compliance
Grade 1	50,400	53,106	180	0	In compliance
Grade 2	50,400	53,106	180	0	In compliance
Grade 3	50,400	53,106	180	0	In compliance
Grade 4	54,000	58,482	180	0	In compliance
Grade 5	54,000	58,482	180	0	In compliance
Grade 6	54,000	63,080	180	0	In compliance
Grade 7	54,000	63,080	180	0	In compliance
Grade 8	54,000	63,080	180	0	In compliance

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts and charter schools, including basic aid districts.

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

**LOS LOMITAS ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	(Budget ⁽¹⁾)			
	2017	2016	2015	2014
<u>General Fund</u>				
Revenues and other financial sources	\$ 26,058,878	\$ 25,394,751	\$ 25,761,031	\$ 26,909,743
Expenditures	25,923,330	23,548,355	21,814,199	23,186,008
Other uses and transfers out	-	-	-	5,778,685
Total outgo	25,923,330	23,548,355	21,814,199	28,964,693
Change in fund balance	\$ 135,548	\$ 1,846,396	\$ 3,946,832	\$ (2,054,950)
Ending fund balance	\$ 12,917,949	\$ 12,782,401	\$ 10,936,005	\$ 6,989,173
Available reserves ⁽²⁾	\$ 1,173,163	\$ 1,257,801	\$ 2,950,725	\$ 2,980,086
Reserve for economic uncertainties	\$ 777,699	\$ 706,451	\$ 677,837	\$ 788,800
Unassigned fund balance	\$ 395,464	\$ 551,350	\$ 2,272,888	\$ 2,191,286
Available reserves as a percentage of total outgo	4.53%	5.34%	13.53%	10.29%
Total long-term liabilities	\$ 59,757,905	\$ 63,572,905	\$ 62,697,446	\$ 15,051,954
Average daily attendance (ADA) at P-2	1,348	1,349	1,269	1,269

Average daily attendance has increased by 80 since 2013. The District anticipates a decrease of 1 ADA during fiscal year 2016/17.

The general fund balance has increased by \$5,793,228 over the past three years. For a district this size, the state recommends available reserves of at least 4% of total general fund expenditures, transfers out, and other uses (total outgo). The fiscal year 2016-17 budget projects a \$135,548 increase in fund balance.

The District operated at a deficit in two of the past three years. Total long-term liabilities have increased by \$48,520,951 over the last three years.

¹ Budget numbers are based on the first adopted budget of the fiscal year 2016/17.

² Available reserves consist of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds
June 30, 2016 Annual Financial and Budget Report Fund Balances	\$ 5,702,985	\$ 23,151,533	\$ 7,158,434	\$ 9,108,010
Adjustments and Reclassifications:				
Special Res Fund for Other Than Cap Outlay:				
Cash and investments	6,897,209	-	-	(6,897,209)
Accounts receivable	15,287	-	-	(15,287)
Due from other funds	166,920	-	-	(166,920)
June 30, 2016 Audited Financial Statements Fund Balances	<u>\$ 12,782,401</u>	<u>\$ 23,151,533</u>	<u>\$ 7,158,434</u>	<u>\$ 2,028,594</u>

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
NOTES TO COMPLIANCE SECTION
FOR THE YEAR ENDED JUNE 30, 2016**

1. PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

The District has not received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C. 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.

D. Reconciliation of Annual Financial and Budget Report to the 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.

2. EARLY RETIREMENT INCENTIVE PROGRAM

The District has not adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased to two years.

OTHER INDEPENDENT
AUDITOR'S REPORTS



**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
Las Lomas Elementary School District
Menlo Park, CA

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

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Los Lomas Elementary School 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 Los Lomas Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Los Lomas Elementary School 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Los Lomas Elementary School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,



providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

C & A LLP

November 30, 2016
San Jose, California



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON STATE PROGRAMS**

Board of Trustees
Las Lomas Elementary School District
Menlo Park, California

Compliance

We have audited the Los Lomas Elementary School District's (the District) compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District's state programs identified below for the year ended June 30, 2016.

Management's Responsibility

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

Auditor's Responsibility

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

In connection with the compliance audit referred to above, we selected and tested transactions and records to determine the District's compliance with the 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
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes



<u>Description</u>	<u>Procedures Performed</u>
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	N/A
After School	N/A
Before School	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	No
Immunizations	Yes
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Charter Schools	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

We did not perform the audit procedures for the Independent Study and Independent Study-Course Based because the ADA was under the level that requires testing.

Opinion

In our opinion, Los Lomitas Elementary School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2016.

C & A UP

November 30, 2016
San Jose, California

FINDINGS AND RECOMMENDATIONS

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

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses?	___ Yes <u>x</u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes <u>x</u> No
Non-compliance material to financial statements noted?	___ Yes <u>x</u> No

Federal Awards

The District did not spend or incur expenditures of \$750,000 or more in federal awards.

State Awards

Internal control over state programs:	
Material weaknesses?	___ Yes <u>x</u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes <u>x</u> No
Type of auditor's report issued on compliance over state programs:	<u>Unmodified</u>

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

Section II - Financial Statement Findings

No findings noted.

Section III - Federal Award Findings and Questioned Costs

No findings noted.

Section IV - State Award Findings and Questioned Costs

No findings noted.

**LAS LOMITAS ELEMENTARY SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2016**

Section II - Financial Statement Findings

No findings noted.

Section III - Federal Award Findings and Questioned Costs

No findings noted.

Section IV - State Award Findings and Questioned Costs

No findings noted.