

**BOLINAS-STINSON UNION SCHOOL DISTRICT
COUNTY OF MARIN
BOLINAS, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2016

BOLINAS-STINSON UNION SCHOOL DISTRICT

JUNE 30, 2016

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BOLINAS-STINSON UNION SCHOOL DISTRICT

JUNE 30, 2016

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Bolinás-Stinson Union School District
Bolinás, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Bolinás-Stinson Union School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, the budgetary comparison information on page 51, the schedule of funding progress on page 52, the schedules of the proportionate share of the net pension liability on pages 53 and 54, and the schedules of contributions on pages 55 and 56 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 Bolinas-Stinson Union School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 12, 2016

**BOLINAS-STINSON UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

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

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 14 and 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 19, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statement provides financial information about activities for which the District acts solely as an agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- The District's overall financial status declined during fiscal year 2015-16, as total net position decreased 11.4%.
- On the Statement of Activities, total current year expenses exceeded total current year revenues by \$181,323.
- Capital assets, net of depreciation, decreased \$28,344, due to the current year acquisition and/or construction of \$106,001 of capital assets and the current year recognition of \$134,345 of depreciation expense.
- Total long-term liabilities increased \$503,288 in fiscal year 2015-16 due to the current year increase of the District's proportionate share of net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.
- The District's P-2 average daily attendance (ADA) decreased from 108 ADA in fiscal year 2014-15 down to 97 ADA in fiscal year 2015-16, a decrease of 10.2%.
- The District's General Fund incurred an operating deficit of \$21,262 in fiscal year 2015-16 due to the \$60,682 transfer to the Cafeteria Fund for program support and the \$24,625 transfer to the Capital Project - Special Reserve Fund for the solar lease payment.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 5% of general fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2015-16, General Fund expenditures and other financing uses totaled \$4,040,526. At June 30, 2016, the District has available reserves of \$1,726,531 in the General Fund, which represents a reserve of 42.7%.

**BOLINAS-STINSON UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT

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

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

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

Reporting the District as a Whole

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

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

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

**BOLINAS-STINSON UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

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

Governmental Activities:

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

Business-type Activities:

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

Reporting the District's Most Significant Funds

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

Governmental Funds:

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

Proprietary Funds:

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

Fiduciary Funds:

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

**BOLINAS-STINSON UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's total net position decreased from \$1,587,636 at June 30, 2015, down to \$1,406,313 at June 30, 2016, a decrease of 11.4%.

<u>Comparative Statement of Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2016</u>
<u>Assets</u>		
Deposits and Investments	\$ 2,865,817	\$ 2,828,769
Receivables	107,053	115,934
Stores Inventory	2,454	2,453
Capital Assets, net	1,891,309	1,862,965
Total Assets	<u>4,866,633</u>	<u>4,810,121</u>
<u>Deferred Outflows of Resources</u>		
Pension Deferrals	<u>276,287</u>	<u>433,311</u>
<u>Liabilities</u>		
Current	119,281	218,966
Long-term	2,736,632	3,240,444
Total Liabilities	<u>2,855,913</u>	<u>3,459,410</u>
<u>Deferred Inflows of Resources</u>		
Pension Deferrals	<u>699,371</u>	<u>377,709</u>
<u>Net Position</u>		
Net Investment in Capital Assets	1,669,052	1,670,481
Restricted	69,852	28,058
Unrestricted (Deficit)	<u>(151,268)</u>	<u>(292,226)</u>
Total Net Position	<u>\$ 1,587,636</u>	<u>\$ 1,406,313</u>

Table includes financial data of the combined governmental funds

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

**BOLINAS-STINSON UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year expenses exceeded total current year revenues by \$181,323.

<u>Comparative Statement of Changes in Net Position</u>		
	Governmental Activities	
	2015	2016
<u>Program Revenues</u>		
Charges for Services	\$ 34,395	\$ 26,110
Operating Grants & Contributions	270,737	292,651
<u>General Revenues</u>		
Taxes Levied	2,839,349	2,983,817
Federal & State Aid	555,690	579,983
Interest & Investment Earnings	4,937	5,984
Transfers from Other Agencies	4,411	0
Miscellaneous	424,466	182,353
Total Revenues	4,133,985	4,070,898
<u>Expenses</u>		
Instruction	1,954,144	2,331,056
Instruction-Related Services	684,447	572,444
Pupil Services	341,389	371,927
General Administration	488,146	617,958
Plant Services	369,813	344,872
Interest on Long-Term Debt	1,618	1,397
Other Outgo	0	12,567
Total Expenses	3,839,557	4,252,221
Change in Net Position	294,428	(181,323)
Net Position, Beginning	1,293,208	1,587,636
Net Position, Ending	\$ 1,587,636	\$ 1,406,313

Table includes financial data of the combined governmental funds

**BOLINAS-STINSON UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

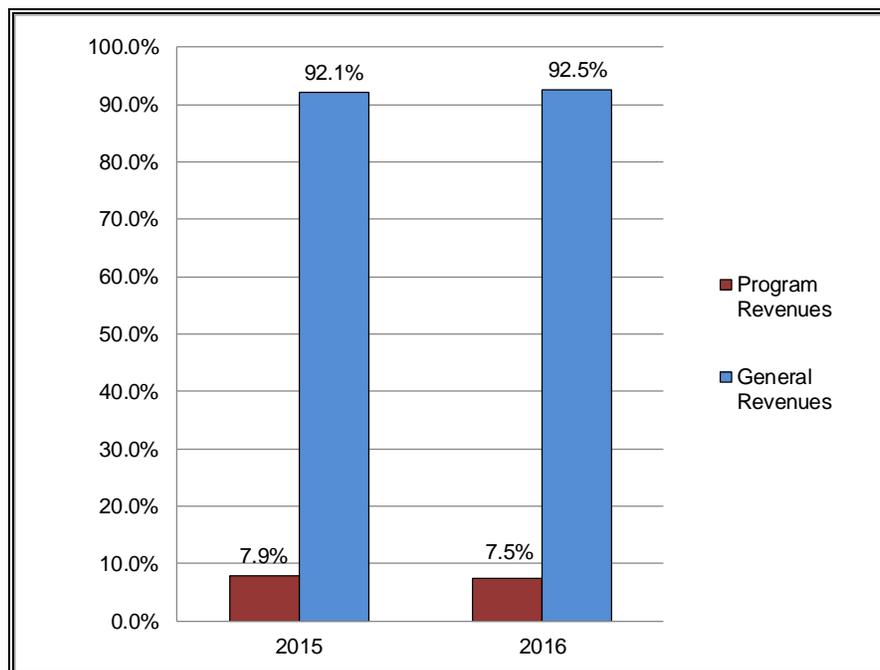
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Comparative Schedule of Costs of Services</u>				
	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2015	2016	2015	2016
Instruction	\$ 1,954,144	\$ 2,331,056	\$ 1,773,710	\$ 2,125,917
Instruction-Related Services	684,447	572,444	642,163	534,791
Pupil Services	341,389	371,927	267,314	312,769
General Administration	488,146	617,958	479,807	606,179
Plant Services	369,813	344,872	369,813	343,294
Interest on Long-Term Debt	1,618	1,397	1,618	1,397
Other Outgo	0	12,567	0	9,113
Totals	<u>\$ 3,839,557</u>	<u>\$ 4,252,221</u>	<u>\$ 3,534,425</u>	<u>\$ 3,933,460</u>

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$3,933,460 cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



During 2015-16, program revenues financed 7.5% of the total cost of providing the services listed above, while the remaining 92.5% was financed by the general revenues of the District.

**BOLINAS-STINSON UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

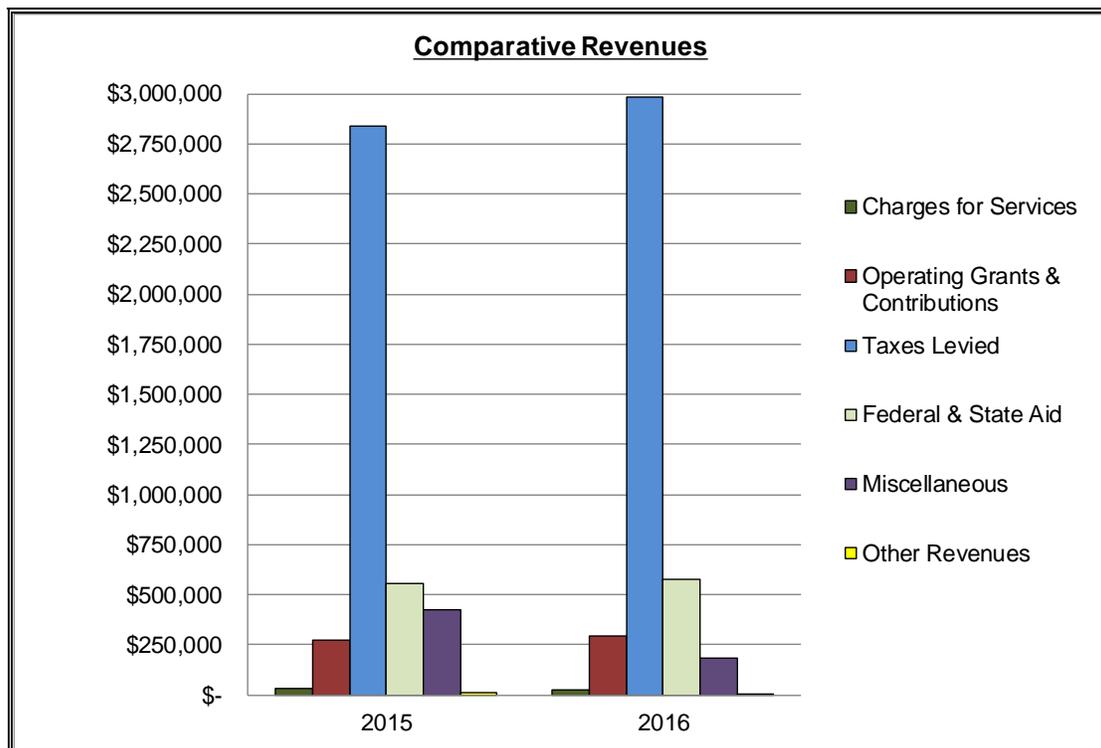
(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

Schedule of Revenues For Governmental Functions				
	<u>FYE 2015 Amount</u>	<u>Percent of Total</u>	<u>FYE 2016 Amount</u>	<u>Percent of Total</u>
<u>Program Revenues</u>				
Charges for Services	\$ 34,395	0.83%	\$ 26,110	0.64%
Operating Grants & Contributions	270,737	6.55%	292,651	7.19%
<u>General Revenues</u>				
Taxes Levied	2,839,349	68.68%	2,983,817	73.30%
Federal & State Aid	555,690	13.44%	579,983	14.25%
Miscellaneous	424,466	10.27%	182,353	4.48%
Other Revenues	9,348	0.23%	5,984	0.15%
Total Revenues	<u>\$ 4,133,985</u>	<u>100.00%</u>	<u>\$ 4,070,898</u>	<u>100.00%</u>

Table includes financial data of the combined governmental funds



**BOLINAS-STINSON UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

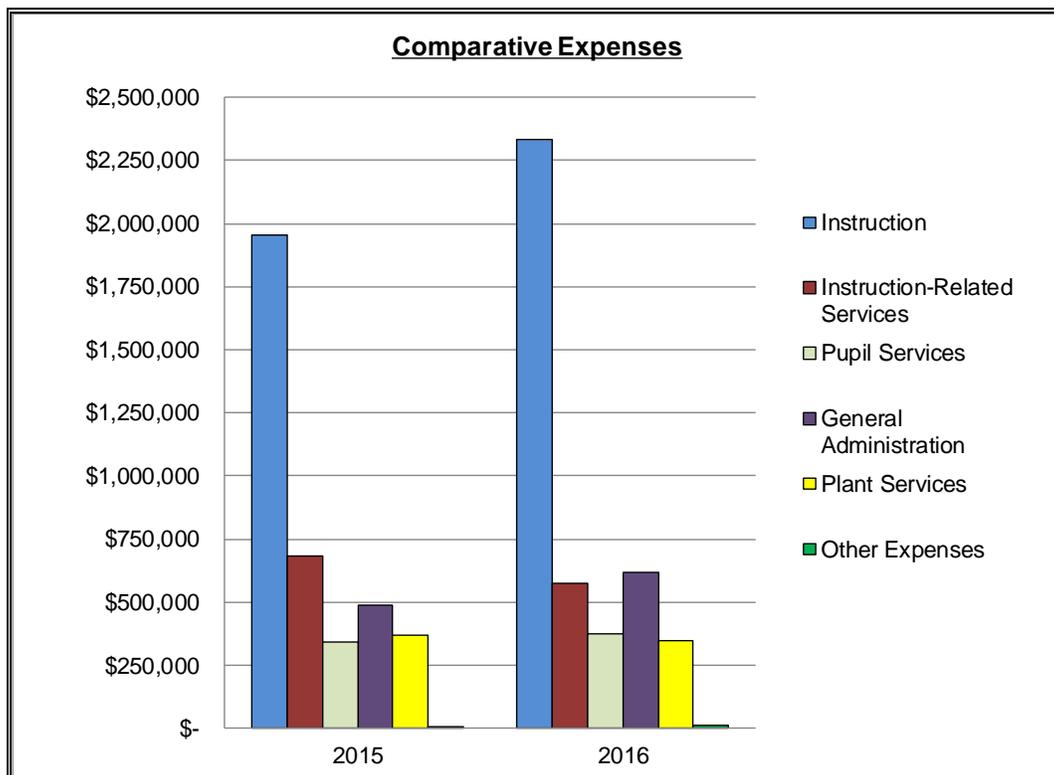
(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

<u>Schedule of Expenses For Governmental Functions</u>				
	FYE 2015 Amount	Percent of Total	FYE 2016 Amount	Percent of Total
<u>Expenses</u>				
Instruction	\$ 1,954,144	50.90%	\$ 2,331,056	54.82%
Instruction-Related Services	684,447	17.83%	572,444	13.46%
Pupil Services	341,389	8.89%	371,927	8.75%
General Administration	488,146	12.71%	617,958	14.53%
Plant Services	369,813	9.63%	344,872	8.11%
Other Expenses	1,618	0.04%	13,964	0.33%
Total Expenses	\$ 3,839,557	100.00%	\$ 4,252,221	100.00%

Table includes financial data of the combined governmental funds



**BOLINAS-STINSON UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

<u>Comparative Schedule of Capital Assets</u>		
	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2016</u>
Land	\$ 15,869	\$ 15,869
Sites and Improvements	468,101	468,101
Buildings and Improvements	2,516,189	2,553,190
Furniture and Equipment	721,954	790,954
Subtotals	<u>3,722,113</u>	<u>3,828,114</u>
Less: Accumulated Depreciation	<u>(1,830,804)</u>	<u>(1,965,149)</u>
Capital Assets, net	<u>\$ 1,891,309</u>	<u>\$ 1,862,965</u>

Capital assets, net of depreciation, decreased \$28,344, due to the current year acquisition and/or construction of \$106,001 of capital assets and the current year recognition of \$134,345 of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2016</u>
Capital Leases	\$ 222,257	\$ 194,904
Other Post Employment Benefits	41,919	32,564
Net Pension Liabilities	<u>2,499,021</u>	<u>3,039,017</u>
Total Long-Term Liabilities	<u>\$ 2,763,197</u>	<u>\$ 3,266,485</u>

Total long-term liabilities increased \$503,288 in fiscal year 2015-16 due to the current year increase of the District's proportionate share of net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

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

**BOLINAS-STINSON UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(PREPARED BY DISTRICT MANAGEMENT)

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

<u>Comparative Schedule of Fund Balances</u>			
	Fund Balances June 30, 2015	Fund Balances June 30, 2016	Increase (Decrease)
General	\$ 2,554,769	\$ 2,533,507	\$ (21,262)
Cafeteria	16,014	10,736	(5,278)
County School Facilities	31,327	27,857	(3,470)
Capital Projects - Special Reserve	280,498	182,131	(98,367)
Totals	\$ 2,882,608	\$ 2,754,231	\$ (128,377)

The fund balance of the General Fund decreased \$21,262 while the combined fund balances of all other governmental funds decreased \$107,115. The fund balance decrease in the Capital Projects - Special Reserve Fund is due to the capital asset additions during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim to reflect the most current financial information available at that point in time. The original budget presented on page 51 includes only new revenues for 2015-16.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Employer contribution rates for CalSTRS and CalPERS will continue to increase on an annual basis for the foreseeable future. In addition, the economy has finished its seventh year of expansion, lasting two years longer than the average recovery. The Governor and Department of Finance continue to urge the Legislation and local governments, including local education agencies, to plan for the next recession.

Accordingly, the District's budget should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Bolinas-Stinson Union School District, 125 Olema-Bolinas Road, Bolinas, California 94924.

BOLINAS-STINSON UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 2,828,769
Receivables (Note 3)	115,934
Stores Inventory (Note 1H)	2,453
Capital Assets (Note 5)	
Land	15,869
Sites and Improvements	468,101
Buildings and Improvements	2,553,190
Furniture and Equipment	790,954
Less: Accumulated Depreciation	(1,965,149)
Total Assets	4,810,121
<u>Deferred Outflows of Resources</u>	
Pension Deferrals (Note 8)	433,311
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	192,925
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Capital Leases (Note 6)	26,041
<i>Portion Due or Payable After One Year:</i>	
Capital Leases (Note 6)	168,863
Other Post Employment Benefits (Note 7)	32,564
Net Pension Liabilities (Note 8)	3,039,017
Total Liabilities	3,459,410
<u>Deferred Inflows of Resources</u>	
Pension Deferrals (Note 8)	377,709
<u>Net Position</u>	
Net Investment in Capital Assets	1,670,481
Restricted:	
For Educational Programs	14,822
For Other Purposes	13,236
Unrestricted (Deficit)	(292,226)
Total Net Position	\$ 1,406,313

BOLINAS-STINSON UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
<u>Governmental Activities</u>					
Instruction	\$ 2,331,056		\$ 205,139		\$ (2,125,917)
Instruction-Related Services:					
Supervision of Instruction	170,629		8,241		(162,388)
Instructional Library and Technology	187,843		22,418		(165,425)
School Site Administration	213,972		6,994		(206,978)
Pupil Services:					
Home-to-School Transportation	180,904				(180,904)
Food Services	116,836	\$ 26,110	24,767		(65,959)
Other Pupil Services	74,187		8,281		(65,906)
General Administration:					
Other General Administration	617,958		11,779		(606,179)
Plant Services	344,872		1,578		(343,294)
Interest on Long-Term Debt	1,397				(1,397)
Other Outgo	12,567		3,454		(9,113)
Total Governmental Activities	<u>\$ 4,252,221</u>	<u>\$ 26,110</u>	<u>\$ 292,651</u>	<u>\$ 0</u>	<u>(3,933,460)</u>
<u>General Revenues</u>					
Taxes Levied for General Purposes					2,442,017
Taxes Levied for Specific Purposes					541,800
Federal and State Aid - Unrestricted					579,983
Interest and Investment Earnings					5,984
Miscellaneous					182,353
Total General Revenues					<u>3,752,137</u>
Change in Net Position					(181,323)
Net Position - July 1, 2015					<u>1,587,636</u>
Net Position - June 30, 2016					<u>\$ 1,406,313</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**BOLINAS-STINSON UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Deposits and Investments (Note 2)	\$ 2,614,387	\$ 214,382	\$ 2,828,769
Receivables (Note 3)	111,663	4,271	115,934
Stores Inventory (Note 1H)		2,453	2,453
	<u>\$ 2,726,050</u>	<u>\$ 221,106</u>	<u>\$ 2,947,156</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	\$ 192,543	\$ 382	\$ 192,925
Fund Balances: (Note 10)			
Nonspendable	2,500	5,703	8,203
Restricted	14,822	5,033	19,855
Committed	250,000		250,000
Assigned	539,654	209,988	749,642
Unassigned	1,726,531		1,726,531
	<u>2,533,507</u>	<u>220,724</u>	<u>2,754,231</u>
Total Liabilities and Fund Balances	<u>\$ 2,726,050</u>	<u>\$ 221,106</u>	<u>\$ 2,947,156</u>

**BOLINAS-STINSON UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Fund Balances - Governmental Funds \$ 2,754,231

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

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

Capital Assets	\$ 3,828,114	
Accumulated Depreciation	(1,965,149)	
Net		1,862,965

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

Deferred outflows of resources relating to pensions		433,311
Deferred inflows of resources relating to pensions		(377,709)

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

Capital Leases	\$ 194,904	
Other Post Employment Benefits	32,564	
Net Pension Liabilities	3,039,017	
Total		(3,266,485)

Total Net Position - Governmental Activities **\$ 1,406,313**

**BOLINAS-STINSON UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
LCFF Sources:			
State Apportionment / Transfers	\$ 250,510		\$ 250,510
Local Taxes	2,442,017		2,442,017
Total LCFF Sources	2,692,527		2,692,527
Federal Revenue	323,351	\$ 22,899	346,250
State Revenue	202,402	1,888	204,290
Local Revenue	800,984	26,847	827,831
Total Revenues	4,019,264	51,634	4,070,898
<u>Expenditures</u>			
Current:			
Instruction	2,200,604		2,200,604
Supervision of Instruction	165,090		165,090
Instructional Library and Technology	181,427		181,427
School Site Administration	208,314		208,314
Home-To-School Transportation	160,744		160,744
Food Services		116,836	116,836
Other Pupil Services	74,187		74,187
Other General Administration	603,093		603,093
Plant Services	335,114	4,030	339,144
Facilities Acquisition and Construction	9,954	98,565	108,519
Other Outgo	12,567		12,567
Debt Service:			
Principal Retirement	3,854	23,499	27,353
Interest and Issuance Costs	271	1,126	1,397
Total Expenditures	3,955,219	244,056	4,199,275
Excess of Revenues Over (Under) Expenditures	64,045	(192,422)	(128,377)
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In		85,307	85,307
Operating Transfers Out	(85,307)		(85,307)
Total Other Financing Sources (Uses)	(85,307)	85,307	0
Net Change in Fund Balances	(21,262)	(107,115)	(128,377)
Fund Balances - July 1, 2015	2,554,769	327,839	2,882,608
Fund Balances - June 30, 2016	\$ 2,533,507	\$ 220,724	\$ 2,754,231

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

Net Change in Fund Balances - Governmental Funds \$ (128,377)

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

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

Capital Outlay Expenditures	\$ 106,001	
Depreciation Expense	(134,345)	
Net		(28,344)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 27,353

Post employment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: 9,355

Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (61,310)

Change in Net Position of Governmental Activities \$ (181,323)

**BOLINAS-STINSON UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

	Agency Funds	Total Fiduciary Funds
<u>Assets</u>		
Deposits and Investments (Note 2)	\$ 2,120	\$ 2,120
<u>Liabilities</u>		
Due to Student Groups	2,120	2,120
<u>Net Position</u>		
Total Net Position	\$ 0	\$ 0

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Bolinas-Stinson Union School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Trustees elected by registered voters of the District, which comprises an area in Marin County. The District was established in 1961 and serves students in kindergarten through grade eight.

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

The financial reporting entity consists of the following:

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

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity under GASB Statement No. 14 (GASB14) as amended by GASB Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*, and has determined that there are no organizations, with financial activities that benefit the District, which should be included within its financial reporting entity under these criteria.

The District has also reviewed criteria to determine whether other organizations, for which the District is not financially accountable, should be reported within its financial reporting entity, based on the nature and significance of its relationship with the District, under GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*, and has determined that there are no organizations, for which the District is not financially accountable, which should be reported within its financial reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. The effect of interfund activity within the governmental activities column has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Government-wide Financial Statements (Concluded):

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

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

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

C. Basis of Accounting

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Revenues - Exchange and Non-exchange Transactions:

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

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

Unearned Revenue:

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

Expenses/Expenditures:

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

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.

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

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

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

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditure for specified purposes other than debt service or capital projects.

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

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

Major Governmental Fund:

The *General Fund* is the general operating fund of the District. For financial reporting purposes, the financial activities and balances of the Deferred Maintenance Fund and Special Reserve Fund for Postemployment Benefits have been included within the General Fund.

Non-major Governmental Funds:

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

The *County School Facilities Fund* is used to account for revenue received from state allocations for construction projects and the expenditures made for those projects (Education Code Sections 17009.5 and 17070.10-17076.10).

The *Capital Projects - Special Reserve Fund* is used to accumulate funds for repairs, capital outlay and replacement of District property.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains one agency fund, the student body fund, which is used to account for the raising and expending of money to promote the general welfare, and educational experience of the student body.

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 51.

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

F. Use of Estimates

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

G. Encumbrances

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

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

1. Deposits and Investments

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

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Concluded)

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; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations.

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

2. Stores Inventory

Stores inventory is recorded using the consumption method in that inventory acquisitions are initially recorded in inventory asset accounts and are recorded as expenditures when the supplies are used. Inventory is valued at average cost and consists of expendable supplies held for consumption. Reported inventory is equally offset by a reserve, which indicates that the amount is not available for appropriation.

3. Capital Assets

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

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	10-28
Buildings and Improvements	35
Furniture and Equipment	5-15

4. Deferred Outflows/Inflows of Resources

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Deferred Outflows/Inflows of Resources (Concluded)

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

5. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires. The District had no liability as of June 30, 2016.

6. Pensions

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

7. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Position. In fund financial statements, the face amount of the obligation is reported as other financing sources in the year of issuance.

8. Fund Balances

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

Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g. inventories) or funds that legally or contractually must be maintained intact.

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Fund Balances (Concluded)

Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

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

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the district's highest level of decision making authority or a body or official that has been given the authority to assign funds. In accordance with board policy, the Chief Business Official has been given this authority.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. In accordance with board policy, the District will maintain a Reserve for Economic Uncertainties of at least 10% of total General Fund operating expenditures and other financing uses.

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

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

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

The County of Marin is responsible for assessing, collecting and apportioning property taxes to the District. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, consist of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Cash on Hand and in Banks		\$ 2,120
Cash in Revolving Fund	\$ 5,750	
County Pool Investments	<u>2,823,019</u>	
Total Deposits and Investments	<u>\$ 2,828,769</u>	<u>\$ 2,120</u>

Cash on Hand and in Banks

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

Cash in Revolving Fund

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

County Pool Investments

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

General Authorization

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

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

Interest Rate Risk

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Segmented Time Distribution

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1 Year</u>
County Pool Investments	\$ 2,823,019	\$ 2,826,876	\$ 2,360,595	\$ 462,424

Credit Risk

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Unrated</u>
County Pool Investments	\$ 2,823,019	\$ 2,826,876			\$ 2,823,019

Concentration of Credit Risk

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

Custodial Credit Risk - Investments

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

Custodial Credit Risk - Deposits

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Derivative Investments

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

NOTE 3 - RECEIVABLES

Receivables at June 30, 2016 consist of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Federal Government	\$ 33,420	\$ 3,608	\$ 37,028
State Government	14,101	295	14,396
Local Governments	63,452		63,452
Miscellaneous	690	368	1,058
Totals	<u>\$ 111,663</u>	<u>\$ 4,271</u>	<u>\$ 115,934</u>

NOTE 4 - INTERFUND ACTIVITIES

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

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. The interfund transfers during the year were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General		\$ 85,307
Cafeteria	\$ 60,682	
Capital Projects - Special Reserve	<u>24,625</u>	
Totals	<u>\$ 85,307</u>	<u>\$ 85,307</u>

The District transferred \$60,682 from the General Fund to the Cafeteria Fund to support the child nutrition program.

The District transferred \$24,625 from the General Fund to the Capital Projects - Special Reserve Fund for the solar lease payments.

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

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

	Balances <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>June 30, 2016</u>
Land	\$ 15,869			\$ 15,869
Sites and Improvements	468,101			468,101
Buildings and Improvements	2,516,189	\$ 37,001		2,553,190
Furniture and Equipment	721,954	69,000		790,954
Totals at Historical Cost	<u>3,722,113</u>	<u>106,001</u>	<u>0</u>	<u>3,828,114</u>
Less Accumulated Depreciation for:				
Sites and Improvements	393,454	5,068		398,522
Buildings and Improvements	1,139,523	66,153		1,205,676
Furniture and Equipment	297,827	63,124		360,951
Total Accumulated Depreciation	<u>1,830,804</u>	<u>134,345</u>	<u>0</u>	<u>1,965,149</u>
Governmental Activities Capital Assets, net	<u>\$ 1,891,309</u>	<u>\$ (28,344)</u>	<u>\$ 0</u>	<u>\$ 1,862,965</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 85,319
Instructional Library and Technology	6,416
School Site Administration	5,658
Home-To-School Transportation	20,594
Other General Administration	11,895
Plant Services	<u>4,463</u>
Total Depreciation Expense	<u>\$ 134,345</u>

NOTE 6 - CAPITAL LEASES

The District leases office equipment and solar energy equipment with a value of \$393,846, under lease agreements that provide for title to pass upon expiration of the lease periods. Future minimum lease payments under these agreements are as follows:

<u>Year Ended June 30</u>	<u>Lease Payments</u>
2017	\$ 27,100
2018	24,625
2019	24,625
2020	24,625
2021	24,625
2022-2026	<u>73,875</u>
Total	199,475
Less amounts representing interest	<u>(4,571)</u>
Present value of net minimum lease payments	<u>\$ 194,904</u>

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - CAPITAL LEASES (CONCLUDED)

The District will receive no sublease rental revenues nor pay any contingent rentals for these leased assets.

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 8, the District offers other post employment benefits (OPEB) to employees who meet certain criteria. The District records the liability for this benefit in accordance with Governmental Accounting Standards Board Statement No. 45.

Plan Descriptions: The District offers medical, dental and vision insurance to its eligible retirees. The medical plans are a Kaiser HMO with Kaiser Senior Advantage for Medicare-eligible retirees. Delta Dental and VSP vision insurance are also offered to both active employees and retirees of the District. All coverages are self-insured on a pooled basis or otherwise provided through the Marin Schools Insurance Authority (MSIA).

Certificated employees who have attained age 55 but not yet attained age 63, have completed 13 or more years of service with the District, and take a service retirement under CalSTRS, may retire and receive a District contribution of 100% of the combined cost of medical, dental, and vision coverage for retiree and spouse, up to a maximum of \$55,136 total cost to the District, but in no event beyond age 65. This dollar amount has increased by 2% per year in each of the last 2 years, and applies to individuals retiring in the year for which it is effective. Retirees may take cash in lieu of health benefits. Classified employees who have attained age 55 but not yet attained age 65, have completed 15 or more years of paid service with the District, and take a service retirement under CalPERS if eligible, may retire and receive a District contribution of 50% of the amount the District was contributing towards medical and dental insurance for the employee at the time of retirement. District-paid benefits continue for three years or until age 65, if earlier.

Principals and Superintendents are covered by individual contractual arrangements. The current Principal will receive benefits according to the certificated bargaining agreement upon retirement; the current Superintendent will be eligible for coverage under the District plans at his own expense.

Confidential employees qualify for an early retirement incentive program if they retire between the ages of 55 and 60 and have served in the confidential position for at least of twelve (12) consecutive years. The incentive to be provided to the confidential employees is an entitlement for a five (5) year period of medical, dental, and vision insurance offered to other full time employees of the District and at the same District contribution amount provided to other full time employees.

The District had thirty-one (31) active employees and five (5) retired employees as of July 1, 2015, the effective date of the triennial OPEB valuation. For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2016, the amount actually contributed to the plan, and changes in the District's net OPEB obligation that resulted in a net OPEB obligation of \$32,564 for the year ended June 30, 2016.

Annual required contribution (ARC)	\$ 53,422
Interest on Net OPEB Obligation	1,677
Adjustment to ARC	<u>(2,424)</u>
Annual OPEB cost (expense)	52,675
Contributions for the fiscal year	<u>(62,030)</u>
Decrease in Net OPEB Obligation	(9,355)
Net OPEB Obligation - June 30, 2015	<u>41,919</u>
Net OPEB Obligation - June 30, 2016	<u>\$ 32,564</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 52,675	118%	\$ 32,564
June 30, 2015	61,888	118%	41,919
June 30, 2014	48,266	47%	52,802

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

In the July 1, 2015, actuarial valuation, the liabilities were computed using the projected unit credit cost method and the District's unfunded actuarial accrued liability is being amortized over 30 years. The actuarial assumptions include a 4% investment rate of return and 2% cap inflation. The initial medical healthcare trend rate was 8% which grades down by 1% per year to an ultimate rate of 5% for fiscal years beginning 2018 and thereafter. The dental and vision trend rates are held constant at 4%.

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

NOTE 8 - RETIREMENT PLANS

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

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

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
CalSTRS	\$ 2,007,621	\$ 264,899	\$ 176,218
CalPERS	1,031,396	168,412	201,491
Totals	<u>\$ 3,039,017</u>	<u>\$ 433,311</u>	<u>\$ 377,709</u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Concluded)

The STRP Defined Benefit Program has two benefit formulas:

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

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

CalSTRS 2% at 60

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

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

CalSTRS 2% at 62

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

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

Contributions

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

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

Employers: Pursuant to Chapter 47, Statutes of 2014 (AB 1469 - Bonta), the employer contribution rate was 10.73% of applicable member earnings for fiscal year 2015-16. The District contributed \$145,409 to the plan for the fiscal year ended June 30, 2016.

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

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

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

District's proportionate share of the net pension liability	\$ 2,007,621
State's proportionate share of the net pension liability associated with the District	42,518
Total net pension liability attributed to District	\$ 2,050,139

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

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

The District's proportionate share of the net pension liability as of June 30, 2014 and June 30, 2015 was as follows:

Proportion - June 30, 2014	0.0028%
Proportion - June 30, 2015	0.0030%
Change - Increase (Decrease)	0.0002%

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$301,140, which includes \$91,213 of support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 145,409	
Differences between expected and actual experience		\$ 33,534
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	119,490	
Net differences between projected and actual earnings on plan investments		142,684
Totals	\$ 264,899	\$ 176,218

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

Year Ended June 30		
2017	\$	(46,416)
2018		(46,416)
2019		(46,416)
2020		53,868
2021		14,326
2022		14,326

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

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

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

Actuarial Methods and Assumptions

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

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

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

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

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Methods and Assumptions (Concluded)

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

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

* 10-year geometric average

Discount Rate

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

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

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

	<u>Discount Rate 1% Decrease 6.60%</u>	<u>Discount Rate Current Rate 7.60%</u>	<u>Discount Rate 1% Increase 8.60%</u>
District's proportionate share of the net pension liability	\$ 3,031,352	\$ 2,007,621	\$ 1,156,818

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

Pension Plan's Fiduciary Net Position

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

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

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

The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 6.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2016 was 11.847% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2016 was \$108,958.

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

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

As of June 30, 2016, the District reported a liability of \$1,031,396 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2014 and June 30, 2015 was as follows:

Proportion - June 30, 2014	0.0076%
Proportion - June 30, 2015	<u>0.0070%</u>
Change - Increase (Decrease)	<u><u>-0.0006%</u></u>

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$105,750. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 108,958	
Differences between expected and actual experience	59,454	
Changes of assumptions		\$ 63,918
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		84,915
Net differences between projected and actual earnings on plan investments		<u>52,658</u>
Totals	<u><u>\$ 168,412</u></u>	<u><u>\$ 201,491</u></u>

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

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

Year Ended June 30	
2017	\$ (64,360)
2018	(64,360)
2019	(55,666)
2020	42,349

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

Actuarial Assumptions

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

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

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

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

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

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate

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

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

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

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

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - RETIREMENT PLANS (CONCLUDED)

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

Discount Rate (Concluded)

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

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

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

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

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

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

	<u>Discount Rate 1% Decrease 6.50%</u>	<u>Discount Rate Current Rate 7.50%</u>	<u>Discount Rate 1% Increase 8.50%</u>
District's proportionate share of the net pension liability	\$ 1,678,683	\$ 1,031,396	\$ 493,134

Pension Plan Fiduciary Net Position

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

C. Social Security

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - LONG-TERM LIABILITIES

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due within One Year
Capital Leases	\$ 222,257		\$ 27,353	\$ 194,904	\$ 26,041
Other Post Employment Benefits	41,919	\$ 52,675	62,030	32,564	
Net Pension Liabilities	2,499,021	539,996		3,039,017	
Totals	<u>\$ 2,763,197</u>	<u>\$ 592,671</u>	<u>\$ 89,383</u>	<u>\$ 3,266,485</u>	<u>\$ 26,041</u>

All long-term liabilities will be financed primarily by the General Fund.

NOTE 10 - FUND BALANCES

The fund balances as of June 30, 2016 are as follows:

	General Fund	Non-Major Governmental Funds	Totals
Nonspendable:			
Revolving Cash	\$ 2,500	\$ 3,250	\$ 5,750
Stores Inventory		2,453	2,453
Total Nonspendable	<u>2,500</u>	<u>5,703</u>	<u>8,203</u>
Restricted:			
Categorical Programs	14,822	5,033	19,855
Total Restricted	<u>14,822</u>	<u>5,033</u>	<u>19,855</u>
Committed:			
Special Education	250,000		250,000
Total Committed	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Assigned:			
OPEB	301,451		301,451
Capital Projects		209,988	209,988
Other Assignments	238,203		238,203
Total Assigned	<u>539,654</u>	<u>209,988</u>	<u>749,642</u>
Unassigned:			
Reserve for Economic Uncertainties	402,891		402,891
Remaining Unassigned Balances	1,323,640		1,323,640
Total Unassigned	<u>1,726,531</u>	<u>0</u>	<u>1,726,531</u>
Total Fund Balances	<u>\$ 2,533,507</u>	<u>\$ 220,724</u>	<u>\$ 2,754,231</u>

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

The District was the recipient of on-behalf payments made by the State of California to the California State Teachers' Retirement System (CalSTRS) for K-12 Education. These payments consist of state general fund contributions to CalSTRS of \$91,213 (7.12589% of creditable compensation subject to CalSTRS).

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - RISK MANAGEMENT

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

NOTE 13 - JOINT VENTURE

Marin Schools Insurance Authority (MSIA)

The District participates in a joint venture under a joint powers agreement with MSIA for workers' compensation and property and liability insurance. The relationship between the District and MSIA is such that MSIA is not a component unit of the District for financial reporting purposes.

MSIA arranges for and/or provides coverage for its members. MSIA is governed by a board consisting of a representative from each member district. MSIA's governing board controls the operations of MSIA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in MSIA.

MSIA is audited on an annual basis. Audited financial statements can be obtained by contacting MSIA's management.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Litigation

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

NOTE 15 - ECONOMIC DEPENDENCY

During fiscal year 2015-16, the District received \$541,800 of parcel tax revenue that is subject to voter approval. The Measure A parcel tax, which will be used to provide quality educational programs for the District, has an annual assessment of \$300 per parcel and expires on June 30, 2020.

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 16 - SUBSEQUENT EVENTS

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

REQUIRED SUPPLEMENTARY INFORMATION SECTION

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 252,888	\$ 251,290	\$ 250,510	\$ (780)
Local Sources	2,409,512	2,436,054	2,442,017	5,963
Total LCFF Sources	2,662,400	2,687,344	2,692,527	5,183
Federal Revenue	323,749	328,654	323,351	(5,303)
Other State Revenue	27,271	198,062	202,402	4,340
Other Local Revenue	767,621	848,384	800,984	(47,400)
Total Revenues	3,781,041	4,062,444	4,019,264	(43,180)
<u>Expenditures</u>				
Certificated Salaries	1,360,866	1,381,269	1,331,992	49,277
Classified Salaries	928,623	1,034,319	1,048,132	(13,813)
Employee Benefits	917,246	993,828	1,009,115	(15,287)
Books and Supplies	131,163	188,174	160,548	27,626
Services and Other				
Operating Expenditures	293,558	422,901	377,208	45,693
Capital Outlay		11,578	11,532	46
Debt Service:				
Principal Retirement		3,854	3,854	
Interest and Fiscal Charges		271	271	
Other Expenditures		12,425	12,567	(142)
Total Expenditures	3,631,456	4,048,619	3,955,219	93,400
Excess of Revenues Over Expenditures	149,585	13,825	64,045	50,220
<u>Other Financing (Uses)</u>				
Operating Transfers Out	(75,307)	(75,307)	(85,307)	(10,000)
Net Change in Fund Balances	74,278	(61,482)	(21,262)	\$ 40,220
Fund Balances - July 1, 2015	2,554,769	2,554,769	2,554,769	
Fund Balances - June 30, 2016	\$ 2,629,047	\$ 2,493,287	\$ 2,533,507	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BOLINAS-STINSON UNION SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
7/1/2015	\$ 0	\$ 412,018	\$ 412,018	0%	\$ 2,015,001	20.4%
7/1/2013	0	360,014	360,014	0%	1,649,506	21.8%
7/1/2009	0	173,358	173,358	0%	1,342,635	12.9%

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BOLINAS-STINSON UNION SCHOOL DISTRICT

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

JUNE 30, 2016

<u>Year Ended June 30</u>	<u>District's Proportion of the NPL</u>	<u>District's Proportionate Share of the NPL</u>	<u>State's Proportionate Share of the NPL Associated to District</u>	<u>Total NPL Attributed to District</u>	<u>District's Covered Employee Payroll</u>	<u>District's Proportionate Share of the NPL as a % of Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position As a % of Total Pension Liability</u>
2016	0.0030%	\$ 2,007,621	\$ 42,518	\$ 2,050,139	\$ 1,384,099	145.05%	74.02%
2015	0.0028%	1,636,236	38,737	1,674,973	1,241,636	131.78%	76.52%

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

BOLINAS-STINSON UNION SCHOOL DISTRICT

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

JUNE 30, 2016

<u>Year Ended June 30</u>	<u>District's Proportion of the NPL</u>	<u>District's Proportionate Share of the NPL</u>	<u>District's Covered Employee Payroll</u>	<u>District's Proportionate Share of the NPL as a % of Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position As a % of Total Pension Liability</u>
2016	0.0070%	\$ 1,031,396	\$ 774,658	133.14%	79.43%
2015	0.0076%	862,785	796,758	108.29%	83.38%

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - CALSTRS *
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions In Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>District's Covered Employee Payroll</u>	<u>Contributions As a % of Covered Employee Payroll</u>
2016	\$ 145,409	\$ 145,409	\$ -	\$ 1,355,163	10.73%
2015	120,770	120,770	-	1,360,023	8.88%

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - CALPERS *
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions In Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>District's Covered Employee Payroll</u>	<u>Contributions As a % of Covered Employee Payroll</u>
2016	\$ 108,958	\$ 108,958	\$ -	\$ 919,710	11.847%
2015	91,564	91,564	-	777,878	11.771%

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

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

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

Excess of expenditures over appropriations as of June 30, 2016 were as follows:

<u>General Fund</u>	<u>Excess Expenditures</u>
Classified Salaries	\$ 13,813
Employees Benefits	15,287
Other Expenditures	142

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

B. Schedule of Funding Progress

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

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

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

D. Schedule of Contributions

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

SUPPLEMENTARY INFORMATION SECTION

BOLINAS-STINSON UNION SCHOOL DISTRICT
ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

ORGANIZATION

The Bolinas-Stinson Union School District was established in 1961 to provide elementary education to pupils in kindergarten through grade eight. The District is located in Marin County and currently operates one elementary school. There were no changes in the boundaries of the District during the current year.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Nathan Siedman	President	December 2018
Jennifer Pfeiffer	Clerk	December 2018
Arianne Dar	Trustee	December 2016
Cyrus Harmon	Trustee	December 2016
Steve Marcotte	Trustee	December 2018

ADMINISTRATION

John Carroll
Superintendent

**BOLINAS-STINSON UNION SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016**

	<u>Cafeteria</u>	<u>County School Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
<u>Assets</u>				
Deposits and Investments	\$ 4,394	\$ 27,857	\$ 182,131	\$ 214,382
Receivables	4,271			4,271
Stores Inventory	2,453			2,453
Total Assets	<u>\$ 11,118</u>	<u>\$ 27,857</u>	<u>\$ 182,131</u>	<u>\$ 221,106</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts Payable	\$ 382			\$ 382
Fund Balances:				
Nonspendable	5,703			5,703
Restricted	5,033			5,033
Assigned		27,857	182,131	209,988
Total Fund Balances	<u>10,736</u>	<u>27,857</u>	<u>182,131</u>	<u>220,724</u>
Total Liabilities and Fund Balances	<u>\$ 11,118</u>	<u>\$ 27,857</u>	<u>\$ 182,131</u>	<u>\$ 221,106</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

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

	<u>Cafeteria</u>	<u>County School Facilities</u>	<u>Capital Projects - Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
<u>Revenues</u>				
Federal Revenue	\$ 22,899			\$ 22,899
State Revenue	1,888			1,888
Local Revenue	26,089	\$ 60	\$ 698	26,847
Total Revenues	<u>50,876</u>	<u>60</u>	<u>698</u>	<u>51,634</u>
<u>Expenditures</u>				
Current:				
Food Services	116,836			116,836
Plant Services		3,530	500	4,030
Facilities Acquisition and Construction			98,565	98,565
Debt Service:				
Principal Retirement			23,499	23,499
Interest and Issuance Costs			1,126	1,126
Total Expenditures	<u>116,836</u>	<u>3,530</u>	<u>123,690</u>	<u>244,056</u>
Excess of Revenues (Under) Expenditures	(65,960)	(3,470)	(122,992)	(192,422)
<u>Other Financing Sources</u>				
Operating Transfers In	60,682		24,625	85,307
Net Change in Fund Balances	(5,278)	(3,470)	(98,367)	(107,115)
Fund Balances - July 1, 2015	16,014	31,327	280,498	327,839
Fund Balances - June 30, 2016	<u>\$ 10,736</u>	<u>\$ 27,857</u>	<u>\$ 182,131</u>	<u>\$ 220,724</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

BOLINAS-STINSON UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	P-2 Report				Annual Report			
	<u>TK/K - 3</u>	<u>4 - 6</u>	<u>7 - 8</u>	<u>Total</u>	<u>TK/K - 3</u>	<u>4 - 6</u>	<u>7 - 8</u>	<u>Total</u>
Regular ADA	<u>38.38</u>	<u>27.68</u>	<u>31.19</u>	<u>97.25</u>	<u>37.49</u>	<u>27.41</u>	<u>30.89</u>	<u>95.79</u>

BOLINAS-STINSON UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Grade Level</u>	<u>Minutes Required</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	45,975	180	N/A	In Compliance
Grade 1	50,400	53,850	180	N/A	In Compliance
Grade 2	50,400	53,850	180	N/A	In Compliance
Grade 3	50,400	59,250	180	N/A	In Compliance
Grade 4	54,000	59,250	180	N/A	In Compliance
Grade 5	54,000	59,250	180	N/A	In Compliance
Grade 6	54,000	59,250	180	N/A	In Compliance
Grade 7	54,000	59,250	180	N/A	In Compliance
Grade 8	54,000	59,250	180	N/A	In Compliance

BOLINAS-STINSON UNION SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Postemployment Benefits
June 30, 2016 Annual Financial and Budget Report Fund Balances	\$ 1,993,853	\$ 238,203	\$ 301,451
Reclassifications Increasing (Decreasing) Fund Balances:			
Reclassifications of Fund Balances	<u>539,654</u>	<u>(238,203)</u>	<u>(301,451)</u>
June 30, 2016 Audited Financial Statements Fund Balances	<u>\$ 2,533,507</u>	<u>\$ 0</u>	<u>\$ 0</u>

Auditor's Comments

The fund balances of the General Fund, Deferred Maintenance Fund, and Special Reserve Fund for Postemployment Benefits have been combined for financial reporting purposes in accordance with GASB 54.

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2016.

BOLINAS-STINSON UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	GENERAL FUND			
	(Budget) ⁽¹⁾			
	2016-17 ⁽²⁾	2015-16	2014-15	2013-14
Revenues and Other Financial Sources	\$ 4,054,152	\$ 4,019,264	\$ 3,892,329	\$ 3,590,785
Expenditures	3,648,241	3,955,219	3,640,288	3,360,210
Other Uses and Transfers Out	75,307	85,307	53,250	42,000
Total Outgo	3,723,548	4,040,526	3,693,538	3,402,210
Change in Fund Balance	330,604	(21,262)	198,791	188,575
Ending Fund Balance	\$ 2,864,111	\$ 2,533,507	\$ 2,554,769	\$ 2,355,978
Available Reserves	\$ 1,893,079	\$ 1,726,531	\$ 1,718,892	\$ 1,611,625
Reserve for Economic Uncertainties ⁽³⁾	\$ 371,007	\$ 402,891	\$ 361,398	\$ 385,722
Available Reserves as a Percentage of Total Outgo	50.8%	42.7%	46.5%	47.4%
Average Daily Attendance at P-2	97	97	108	113
Total Long-Term Liabilities	\$ 3,240,444	\$ 3,266,485	\$ 2,763,197	\$ 3,475,599

⁽¹⁾ Amounts reported for the budget are presented for analytical purposes only and have not been audited.

⁽²⁾ Amounts have been adjusted to ensure comparability with the current year GASB 54 financial statement presentation.

⁽³⁾ Reported balances are a component of available reserves.

The fund balance of the General Fund increased \$177,529 (7.5%) over the past two years. The fiscal year 2016-17 budget projects an increase of \$330,604. For a district this size, the state recommends available reserves of at least 5% of total general fund expenditures, transfers out, and other uses (total outgo).

The District incurred an operating deficit of \$21,262 during fiscal year 2015-16, and produced operating surpluses of \$198,791 and \$188,575 during fiscal years 2014-15 and 2013-14, respectively.

Average daily attendance (ADA) decreased 16 ADA over the past two years. The District projects no change in ADA during fiscal year 2016-17.

Total long-term liabilities decreased \$209,114 over the past two years.

BOLINAS-STINSON UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Combining Statements

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

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

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

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

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

E. Schedule of Financial Trends and Analysis

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

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Bolinás-Stinson Union School District
Bolinás, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-16 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about Bolinás-Stinson Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Bolinás-Stinson Union School District's compliance with those requirements.

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

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

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

Opinion on State Compliance

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

Board of Trustees
Bolinás-Stinson Union School District
Page Three

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 12, 2016

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

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

Board of Trustees
Bolin-as-Stinson Union School District
Bolin-as, California

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

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency, as noted in **Finding 2016-001**.

Compliance and Other Matters

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

District's Response to Finding

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

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 12, 2016

FINDINGS AND QUESTIONED COSTS SECTION

BOLINAS-STINSON UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

State Awards

Any audit findings required to be reported in accordance with the <i>2015-16 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting?</i>	_____ Yes	___X___ No	
Type of auditor's report issued on compliance for state programs:	Unmodified		

BOLINAS-STINSON UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

2016 - 001 / 30000

SIGNIFICANT DEFICIENCY

CLEARING ACCOUNTS RECONCILIATION

Criteria: An appropriate system of internal control over financial reporting requires that clearing accounts used to facilitate the payment of items such as health and welfare benefits, taxes, and insurance, should be reconciled on a periodic basis, to ensure that all related liability and expenditure balances are properly reported.

Condition: The health and welfare clearing accounts were not reconciled on a routine basis and were not reconciled as of June 30, 2016.

Questioned Costs: None.

Context: The balances in the health and welfare clearing accounts do not appear to be materially misstated as of June 30, 2016.

Effect: The District does not have procedures in place to ensure that the health and welfare clearing accounts are functioning as intended, and to confirm that the related liabilities and expenditure balances are properly reported.

Cause: The District does not have appropriate procedures in place to ensure that clearing accounts, used to facilitate the payment of health and welfare benefits, are reconciled on a monthly basis.

Recommendation: The District should establish appropriate procedures to ensure that clearing accounts, used to facilitate the payment of health and welfare benefits, are reconciled on a monthly basis and that the reconciliations are retained for audit purposes. Errors detected during the reconciliation process, should be investigated and resolved in a timely manner to ensure that the related liability and expenditure balances are properly reported.

District Response: District concurs with the finding and will put controls in place to ensure timely reconciliations of clearing accounts. Errors detected will be resolved timely, and year end balances will be cleared out in preparation for the annual audit

**BOLINAS-STINSON UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

BOLINAS-STINSON UNION SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>FINANCIAL STATEMENTS</u>		
15 - 001 / 30000		
<u>CAFETERIA FUND ENCROACHMENT</u>		
The District should continue to investigate program changes that will allow the Cafeteria Fund to operate closer to a break-even basis and become less dependent on increasing annual General Fund contributions.	Not Implemented	Comment Not Repeated. The Board has made it a priority to provide students organic meals with the higher associated costs.
15 - 002 / 30000		
<u>AFTER SCHOOL PROGRAM OPERATIONS</u>		
The District should make a clear determination whether the after school program will be operated as a District run program or operated by a third party vendor/contractor, and record the activity accordingly.	Implemented	
<u>STATE AWARDS</u>		
15 - 003 / 10000		
<u>ATTENDANCE</u>		
The District should ensure that adequate training is provided to all staff members who use the new attendance system. In addition, the District should establish attendance accounting procedures to ensure that numbers are properly accumulating on the year-to-date section of the attendance report before using the numbers for state reporting and to ensure that attendance codes are reviewed to ensure apportionment is credited in accordance with state regulations.	Implemented	