

**SOMIS UNION SCHOOL DISTRICT
VENTURA COUNTY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2016**

SOMIS UNION SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Somis Union School District
Somis, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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 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 in the aforementioned table of contents present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position 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, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of the District's pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules and the combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Board of Trustees
Somis Union School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vicenti Lloyd + Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 6, 2016

SOMIS UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

This section of Somis Union School District's 2015/16 annual financial report presents a 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 at the front of this report and the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

Financial Statements

The financial statements presented herein include all of the activities of the Somis Union School District (the District) using the integrated approach as prescribed by GASB Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the District as well as all liabilities (including long-term liabilities).

Governmental Activities are prepared using the economic resources measurement focus and the accrual basis of Accounting.

The *Fund Financial Statements* include statements for the governmental activities.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting. Governmental funds of the District include:

- General Fund, including the Deferred Maintenance Fund, Pupil Transportation Equipment Fund, Special Reserve Fund for Other than Capital Outlay Projects and Special Reserve Fund for Postemployment Benefits.
- Cafeteria Fund
- Building Fund
- Capital Facilities Fund
- Special Reserve Fund for Capital Outlay Projects
- Bond Interest and Redemption Fund

The District has no *Proprietary Funds*.

The *Fiduciary Funds* are funds where the District is the trustee, or fiduciary, for assets that belong to others, such as student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position on pages 8 and 9. The District excludes these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

SOMIS UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- Total net position of the District was \$1.43 million which is a decrease of \$41 thousand (3%) compared to the total net position on June 30, 2015.
- The District recorded deferred inflows of resources of \$180 thousand and deferred outflows of resources of \$191 thousand which is related to the net pension liability of \$1.85 million.
- District revenues for all funds was \$3.14 million which is an increase \$270 thousand (9%) compared to the prior fiscal year.
- District expenditures and other uses, in all funds, were \$5.25 million which is an increase of \$2.07 million (65%) compared to the prior fiscal year primarily due to expenditures in the District's Building Fund.
- The fund balance of the General Fund was \$1.64 million which is a decrease of \$126 thousand (7%) compared to the prior fiscal year. Total revenues increased \$293 thousand primarily due to the increase of GAP funding from the state in LCFF revenues and one-time discretionary dollars. Total expenses increased \$29 thousand.
- Capital assets (net of depreciation) were \$3.38 million which is an increase of \$1.96 million (138%) compared to the prior fiscal year as a result of the District's acquisition of real property for its proposed new building site.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the changes in the District's total net position. Net position is the net between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's enrollment and the condition of the District's facilities.

SOMIS UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2016

The relationship between revenues and expenses is the District's operating results. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be important components in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, the District's activities are separated as follows:

Governmental activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade eight students, and the on-going effort to improve and maintain buildings and sites. Property taxes, state apportionments, user fees, interest income, federal, state and local grants finance these activities.

Business-type activities - None at this time.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by state law. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

SOMIS UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$1.43 million for year ended June 30, 2016 down from \$1.47 million the prior year. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provision and enabling legislation that limit the governing board's ability to use the funds for day-to-day operations. The analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities. The \$160 thousand in unrestricted net position of all activities represents the accumulated results from operations in all past years that are not legally restricted for specific purposes or invested in capital assets. It means that if the District had to pay off all of its bills today, including all of its liabilities, the District would have remaining unrestricted available funds of \$160 thousand.

Table 1: Net Position

	Governmental Activities		
	2016	2015	Difference
<u>Assets</u>			
Current and other assets	\$ 4,664,735	\$ 6,518,072	\$ (1,853,337)
Capital assets	3,379,795	1,418,730	1,961,065
Total Assets	8,044,530	7,936,802	107,728
<u>Deferred outflows of resources</u>			
Deferred outflows - pensions	191,338	138,371	52,967
<u>Liabilities</u>			
Current liabilities	592,771	332,880	259,891
Long-term liabilities	6,032,887	5,851,178	181,709
Total Liabilities	6,625,658	6,184,058	441,600
<u>Deferred inflows of resources</u>			
Deferred inflows - pensions	180,213	420,428	(240,215)
<u>Net position</u>			
Net investment in capital assets	520,192	472,917	47,275
Restricted	749,863	715,246	34,617
Unrestricted	159,942	282,524	(122,582)
Total Net Position	\$ 1,429,997	\$ 1,470,687	\$ (40,690)

SOMIS UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

Government-wide Activities

The results of this year's operations for the District as a whole are reported in the *Government-wide Statement of Activities*. Table 2 takes the information from the statement and rearranges them slightly in order to see the total revenues, expenditures, and change in net position for the year. The revenues from all sources were \$3.12 million and the cost of all activities was \$3.16 million resulting in a decrease in net position of \$41 thousand.

Table 2: Government-wide Activities

	Governmental Activities		
	2016	2015 (a)	Difference
Revenues			
Program revenues:			
Charges for services	\$ 19,716	\$ 19,829	\$ (113)
Operating grants and contributions	545,433	532,632	12,801
General revenues:			
Federal and state aid (unrestricted)	514,760	322,486	192,274
Property taxes	1,915,755	1,923,079	(7,324)
Other general revenues	121,830	69,503	52,327
Total Revenues	<u>3,117,494</u>	<u>2,867,529</u>	<u>249,965</u>
Services (Functions)			
Instruction	1,358,368	1,361,857	(3,489)
Instruction-related services	312,966	308,833	4,133
Pupil services	287,939	239,927	48,012
Ancillary services	62,878	55,244	7,634
General administration	404,973	405,770	(797)
Plant services	236,055	210,976	25,079
Other outgo	186,192	203,004	(16,812)
Debt service - interest	200,254	250,031	(49,777)
Depreciation (unallocated)	108,559	125,220	(16,661)
Special item - loss on disposal of assets	-	20,439	(20,439)
Total Expenses	<u>3,158,184</u>	<u>3,181,301</u>	<u>(23,117)</u>
Change in Net Position	<u>\$ (40,690)</u>	<u>\$ (313,772)</u>	<u>\$ 273,082</u>

(a) 2015 expenses have been reclassified to present depreciation as unallocated to conform to 2016 presentation.

SOMIS UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

THE DISTRICT'S FUNDS

As the district completed this year, the governmental funds reported a combined ending fund balance of \$4.16 million, which is a decrease from last year of \$2.11 million as shown in Table 3 below.

Table 3: Fund Balance

Fund Balances	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Difference</u>
Major Governmental Funds:			
General Fund	\$ 1,487,408	\$ 1,601,247	\$ (113,839)
Deferred Maintenance Fund	568	9,329	(8,761)
Pupil Transportation Equipment Fund	80,135	79,708	427
Special Reserve Fund for Non-Capital Outlay	65,618	65,269	349
Special Reserve Fund for Postemployment Benefits	<u>1,746</u>	<u>5,656</u>	<u>(3,910)</u>
Total General Fund *	1,635,475	1,761,209	(125,734)
Building Fund	1,272,476	3,268,912	(1,996,436)
Special Reserve Fund for Capital Outlay	493,490	490,856	2,634
Non-Major Governmental Funds:			
Cafeteria Fund	32,095	34,856	(2,761)
Capital Facilities Fund	459,904	452,098	7,806
Bond Interest and Redemption Fund	<u>264,732</u>	<u>264,719</u>	<u>13</u>
Total Fund Balances	<u><u>\$ 4,158,172</u></u>	<u><u>\$ 6,272,650</u></u>	<u><u>\$ (2,114,478)</u></u>

*GASB 54 requires that special revenue funds without an independent, restricted funding source be included in the District's General Fund.

The Total General Fund Balance (including GASB 54 revenue funds) decreased \$126 thousand primarily due to increases in salaries and benefits costs along with special education excess costs.

The decrease of \$2.0 million in the Building Fund was due to the acquisition of real property for the District's proposed new building site.

SOMIS UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget as changes in revenues and expenditures become known. Table 4 compares the District's original adopted budget for the General Fund with the amounts actually paid and received for 2015/16.

Table 4: General Fund Comparison

	Original Budget	Final Budget	Actuals	Difference Actuals vs Final Budget
Revenues				
Local control funding formula sources	\$ 1,961,127	\$ 1,981,081	\$ 1,983,835	\$ 2,754
Federal sources	175,519	182,790	169,107	(13,683)
Other state sources	233,505	322,943	320,138	(2,805)
Other local sources	150,021	187,867	182,263	(5,604)
Total Revenues	<u>2,520,172</u>	<u>2,674,681</u>	<u>2,655,343</u>	<u>(19,338)</u>
Expenditures				
Certificated salaries	1,026,299	1,116,849	1,106,853	(9,996)
Classified salaries	377,777	383,717	381,519	(2,198)
Employee benefits	460,416	542,200	537,124	(5,076)
Books and supplies	128,362	82,397	57,826	(24,571)
Services and other operating expenditures	545,541	521,323	507,137	(14,186)
Other outgo	127,629	233,102	182,672	(50,430)
Total Expenditures	<u>2,666,024</u>	<u>2,879,588</u>	<u>2,773,131</u>	<u>(106,457)</u>
Excess (deficiency) of revenues over expenditures	<u>(145,852)</u>	<u>(204,907)</u>	<u>(117,788)</u>	<u>87,119</u>
Other Financing Sources (Uses)				
Transfers in	3,949	3,949	3,949	-
Transfers out	(15,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(11,051)</u>	<u>3,949</u>	<u>3,949</u>	<u>-</u>
Net Change in Fund Balance	(156,903)	(200,958)	(113,839)	87,119
Beginning Fund Balance	<u>1,601,247</u>	<u>1,601,247</u>	<u>1,601,247</u>	<u>-</u>
Ending Fund Balance	<u>\$ 1,444,344</u>	<u>\$ 1,400,289</u>	<u>\$ 1,487,408</u>	<u>\$ 87,119</u>

This schedule is for the General Fund only. The Deferred Maintenance Fund, the Pupil Transportation Fund, the Special Reserve Fund for Non-Capital Outlay and the Special Reserve Fund for Retiree Benefits have not been included.

SOMIS UNION SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2016

1. Actual revenues increased \$135 thousand (5%) compared to the original adopted budget projections due to the following:
 - a. LCFF revenue constitutes 75% of District revenues. This includes State Aid, Education Protection Account monies, and local revenue from property taxes. State Aid was equal to \$304 thousand, Education Protection Account distributions were \$47 thousand, and gross property tax revenues were \$1.63 million. The net increase to the District between the adopted budget and the actuals was \$23 thousand.
 - b. Federal revenue decrease \$6 thousand due to the deferral of restricted federal grants to 2016/17.
 - c. State revenue increased \$87 thousand due to one-time mandate funding awarded by the state and the recording of state on-behalf payments to STRS.
 - d. Local revenue increased \$32 thousand due to the receipt of rental income (\$8 thousand), an increase in interest earnings (\$5 thousand), and other miscellaneous one-time local revenues (\$21 thousand), and a decrease in AB 602 Special Education funding (\$2 thousand).
2. Actual expenditures were \$107 thousand (4%) more than the expenditures included in the original adopted budget. The difference is primarily due to the following:
 - a. Salaries and benefits increased a net of \$161 thousand as a result of the negotiated increase of 4% to all employee groups retroactive back to July 1, 2015 and the recording of state on-behalf payments to STRS.
 - b. Books and supplies decreased \$70 thousand due to dollars budgeted for technology, textbooks and other supplies budgeted in the Local Control Accountability Plan not being expended.
 - c. Services and other operating expenditures decreased \$38 thousand. Budget line items set aside for travel and conference (\$6 thousand), utilities, (\$9 thousand), phone and internet services (\$8 thousand), technology services (\$10 thousand) attorney fees (\$27 thousand), special education contracted services (\$14 thousand) and contracted services in other categorical programs (\$14 thousand) were offset by the one-time expenditure for marketing services (\$52 thousand) to assist in fund raising to offset the projected costs of the new school project.
 - d. Other outgo increased \$55 thousand due to an increase in special education excess costs for students served by the Ventura County Office of Education and Pleasant Valley School District.

SOMIS UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the District had \$3.38 million in a broad range of capital assets (net of depreciation), including land improvements, buildings, and equipment as shown in Table 5 below. This amount represents a net increase (including additions, deductions, and depreciation) of \$1.96 million (138%) over the prior year. More detailed information about the District's capital assets is presented in Note 7 of the financial statements.

Table 5: Capital Assets (Net of Depreciation)

Capital Assets (Net of Depreciation)	Governmental Activities		
	2016	2015	Difference
Land	\$ 1,143,310	\$ -	\$ 1,143,310
Construction in progress	1,523,930	613,714	910,216
Land improvements	148,362	172,034	(23,672)
Buildings	499,624	560,579	(60,955)
Equipment	64,569	72,403	(7,834)
Total Capital Assets (Net of Depreciation)	\$ 3,379,795	\$ 1,418,730	\$ 1,961,065

Long-Term Liabilities

The District had a total of \$6.03 million in long-term liabilities outstanding as of June 30, 2016, as shown below. More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.

Table 6: Long-Term Liabilities

Long-Term Liabilities	Governmental Activities		
	2016	2015	Difference
General obligation bonds (including bond premium)	\$ 4,132,079	\$ 4,214,725	\$ (82,646)
Early retirement incentive	53,165	81,730	(28,565)
Net pension liability	1,847,643	1,554,723	292,920
Total Long-Term Liabilities	\$ 6,032,887	\$ 5,851,178	\$ 181,709

SOMIS UNION SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In considering the District’s Budget for the 2016/17 fiscal year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. LCFF unduplicated pupil count is approximately 72% percent.
2. One time discretionary funds of \$237 at District’s budget adoption. This amounts was later reduced to \$614 per ADA upon the Governor’s signing of the state’s budget.
3. At budget adoption, enrollment projections were estimated to be relatively the same as the 2015-16 CBEDs.
4. Textbook adoption for Math and the purchase of other supplementary materials for Common Core.
5. Accelerated Math to support the development of math skills in all grades.

Multi-year projections for expenditures are based on the following forecasts:

MYP Budget Assumptions				
Factor	2015/16	2016/17	2017/18	2018/19
Statutory COLA	1.02%	0.00%	1.11%	2.42%
Gap Funding	52.20%	54.84%	73.96%	41.22%
Projected Enrollment	221	221	224	228
Projected P-2 ADA	212	212	215	219
Funded ADA	233	212	215	219
Classroom FTEs	9.50	9.50	9.50	9.5
Home Study FTEs	1.00	1.00	1.00	1.00
Instruction Days	180	180	180	180
CPI	2.02%	2.15%	2.26%	2.49%
Lottery - Unrestricted	\$140	\$140	\$140	\$140
Lottery - Restricted	\$41	\$41	\$41	\$41
Mandate Block Grant	\$28	\$28	\$28	\$28
One-time Discretionary Funds per ADA	\$529	\$237	N/A	N/A
Educator Effectiveness	\$1,466*			
CalPERS Employer Rate	11.847%	13.888%	15.50%	17.10%
CalSTRS Employer Rate	10.73%	12.58%	14.43%	16.28%
*Per 2014-15 Certificated FTE				

SOMIS UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, 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 about this report or need any additional financial information, contact the Chief Business Official, at Ventura County Schools Business Services Authority, Camarillo, California, 93012, (805) 383-1972 or e-mail at tpeterson@vcoe.org.

FINANCIAL SECTION

SOMIS UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash in county treasury	\$ 4,573,812
Cash and cash equivalents	3,907
Accounts receivable	78,450
Inventory	8,566
Land	1,143,310
Construction in progress	1,523,930
Depreciable assets, net	<u>712,555</u>
Total Assets	<u>8,044,530</u>
<u>Deferred Outflows of Resources</u>	
Deferred outflows - pensions	<u>191,338</u>
<u>Liabilities</u>	
Accounts payable	506,380
Accrued interest	86,208
Unearned revenue	183
Current portion of long-term liabilities	110,347
Non-current portion of long term liabilities	<u>5,922,540</u>
Total Liabilities	<u>6,625,658</u>
<u>Deferred Inflows of Resources</u>	
Deferred inflows - pensions	<u>180,213</u>
<u>Net Position</u>	
Net investment in capital assets	520,192
Restricted for:	
Capital projects	459,904
Debt service	178,524
Educational programs	79,340
Other purposes	32,095
Unrestricted	<u>159,942</u>
Total Net Position	<u>\$ 1,429,997</u>

See accompanying notes to the financial statements.

SOMIS UNION SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016**

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 1,358,368	\$ -	\$ 244,218	\$ (1,114,150)
Instruction - related services	312,966	-	9,113	(303,853)
Pupil services	287,939	18,946	157,012	(111,981)
Ancillary services	62,878	-	47,593	(15,285)
General administration	404,973	634	19,650	(384,689)
Plant services	236,055	136	4,640	(231,279)
Other outgo	186,192	-	63,207	(122,985)
Debt service - interest	200,254	-	-	(200,254)
Depreciation (unallocated)	108,559	-	-	(108,559)
Total Governmental Activities	<u>\$ 3,158,184</u>	<u>\$ 19,716</u>	<u>\$ 545,433</u>	<u>(2,593,035)</u>
General Revenues				
Property taxes levied for				
General purposes				1,632,530
Debt service				283,225
Federal and state aid not restricted to specific purposes				514,760
Interest and investment earnings				31,999
Miscellaneous				89,831
Total General Revenues				<u>2,552,345</u>
Change in net position				(40,690)
Net Position - Beginning of Year				<u>1,470,687</u>
Net Position - End of Year				<u>\$ 1,429,997</u>

See accompanying notes to the financial statements.

SOMIS UNION SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash in county treasury	\$ 1,962,383	\$ 1,381,442	\$ 492,362	\$ 737,625	\$ 4,573,812
Cash and cash equivalents	2,782	-	-	1,125	3,907
Accounts receivable	55,418	6,384	1,128	15,520	78,450
Inventory	-	-	-	8,566	8,566
Due from other funds	3,522	-	-	-	3,522
Total Assets	\$ 2,024,105	\$ 1,387,826	\$ 493,490	\$ 762,836	\$ 4,668,257
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 388,447	\$ 115,350	\$ -	\$ 2,583	\$ 506,380
Unearned revenue	183	-	-	-	183
Due to other funds	-	-	-	3,522	3,522
Total Liabilities	388,630	115,350	-	6,105	510,085
Fund Balances					
Nonspendable	2,500	-	-	8,566	11,066
Restricted	79,340	1,272,476	-	748,165	2,099,981
Committed	148,067	-	-	-	148,067
Assigned	-	-	493,490	-	493,490
Unassigned	1,405,568	-	-	-	1,405,568
Total Fund Balances	1,635,475	1,272,476	493,490	756,731	4,158,172
Total Liabilities and Fund Balances	\$ 2,024,105	\$ 1,387,826	\$ 493,490	\$ 762,836	\$ 4,668,257

See accompanying notes to the financial statements.

SOMIS UNION SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016**

Total fund balances - governmental funds \$ 4,158,172

Amounts reported for governmental funds are different than the statement of net position because:

Capital assets used in governmental activities are not financial resource and, therefore, are not reported as assets in governmental funds. These assets consist of:

Land	\$ 1,143,310	
Construction in progress	1,523,930	
Depreciable assets, net	712,555	3,379,795

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

General obligation bonds	(4,132,079)	
Early retirement incentive	(53,165)	
Net pension liability	(1,847,643)	(6,032,887)

In governmental funds, deferred outflows and inflows of resources are not reported because they are applicable to future periods. Deferred outflows and inflows of resources at year-end consist of:

Deferred outflows - pensions	191,338	
Deferred inflows - pensions	(180,213)	11,125

Interest expense related to general obligation bonds was incurred but not accrued through June 30, 2016. (86,208)

Total net position - governmental activities \$ 1,429,997

See accompanying notes to the financial statements.

SOMIS UNION SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016**

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local control funding formula sources:					
State apportionments	\$ 351,305	\$ -	\$ -	\$ -	\$ 351,305
Local sources	1,632,530	-	-	-	1,632,530
Total local control funding formula sources	1,983,835	-	-	-	1,983,835
Federal sources	169,107	-	-	80,945	250,052
Other state sources	320,138	-	-	7,070	327,208
Other local sources	183,092	68,861	2,634	323,127	577,714
Total Revenues	<u>2,656,172</u>	<u>68,861</u>	<u>2,634</u>	<u>411,142</u>	<u>3,138,809</u>
Expenditures					
Instruction	1,415,160	-	-	-	1,415,160
Instruction - related services	309,318	-	-	-	309,318
Pupil services	180,835	-	-	105,317	286,152
Ancillary services	62,805	-	-	-	62,805
General administration	397,839	-	-	10,011	407,850
Plant services	229,757	2,065,297	-	6,606	2,301,660
Other outgo	186,192	-	-	-	186,192
Debt service	-	-	-	284,150	284,150
Total Expenditures	<u>2,781,906</u>	<u>2,065,297</u>	<u>-</u>	<u>406,084</u>	<u>5,253,287</u>
Net changes in fund balance	(125,734)	(1,996,436)	2,634	5,058	(2,114,478)
Fund Balances at Beginning of Year	<u>1,761,209</u>	<u>3,268,912</u>	<u>490,856</u>	<u>751,673</u>	<u>6,272,650</u>
Fund Balances at End of Year	<u>\$ 1,635,475</u>	<u>\$ 1,272,476</u>	<u>\$ 493,490</u>	<u>\$ 756,731</u>	<u>\$ 4,158,172</u>

See accompanying notes to the financial statements.

SOMIS UNION SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016**

Net change in fund balances - total governmental funds \$ (2,114,478)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 2,069,624	
Depreciation expense	<u>(108,559)</u>	1,961,065

Repayment of general obligation bonds is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 75,000

In governmental funds, pension costs are recognized when the employer contribution is made, but in the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual basis pension costs and actual employer contribution was: 262

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consists of:

Decrease in accrued interest	1,250	
Bond premium, current year amortization	7,646	
Decrease in early retirement incentive	<u>28,565</u>	<u>37,461</u>

Change in net position of governmental activities \$ (40,690)

See accompanying notes to the financial statements.

SOMIS UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	<u>Associated Student Body Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 4,062
Total Assets	<u>4,062</u>
<u>Net Position</u>	
Unrestricted	<u>4,062</u>
Total Net Position	<u><u>\$ 4,062</u></u>

See accompanying notes to the financial statements.

SOMIS UNION SCHOOL DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2016**

	Associated Student Body Fund
Additions	
Revenue from local sources	\$ 2,813
Total Additions	<u>2,813</u>
Deductions	
Other expenses	<u>3,275</u>
Total Deductions	<u>3,275</u>
Changes in net position	(462)
Net Position - Beginning of Year	<u>4,524</u>
Net Position - End of Year	<u>\$ 4,062</u>

See accompanying notes to the financial statements.

SOMIS UNION SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*, updated to conform to the most current financial and reporting requirements promulgated by the California Department of Education. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The significant accounting policies applicable to the District are described below.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements.

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position, a Statement of Activities, and fund financial statements.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the District as a whole. These statements include the financial activities of the primary government. Fiduciary funds are excluded.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. 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. Depreciation and interest expense have not been allocated to specific functions.

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

Instruction: includes the activities directly dealing with the interaction between teachers and students.

Instruction-Related Services: includes supervision of instruction, instructional library, media and technology, and school site administration.

Pupil Services: includes home to school transportation, food services, and other pupil services.

Ancillary Services: includes activities that are generally designed to provide students with experiences outside the regular school day.

General Administration: includes data processing services and all other general administration services.

Plant Services: includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

Other Outgo: includes transfers to other agencies.

Debt Service: includes principal and interest payments for long term debt.

The fiduciary fund expenses are presented by natural classification.

Fund Accounting

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations, and equities.

SOMIS UNION SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Statements of Revenues, Expenditures and Changes in Fund Balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

Governmental Funds – Major

General Fund: used to account for all financial resources except those required to be accounted for in another fund. The Deferred Maintenance Fund, the Pupil Transportation Fund, the Special Reserve Fund for Other than Capital Outlay and the Special Reserve Fund for Postemployment Benefits no longer meet the definition of a special revenue fund as they are no longer primarily composed of restricted or committed revenue sources. Therefore, all activities of these funds are reported in the General Fund.

Building Fund: used to account for resources for the purpose of financing the renovation, construction and improvement of school facilities.

Special Reserve Fund for Capital Outlay: used to account for specific board-approved capital expenditures.

Governmental Funds – Non-Major

Special Revenue Funds: used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Cafeteria Fund: used to account for revenues received and expenditures made to operate the District's cafeterias.

Capital Projects Funds: used to account for the financial resources that are restricted, committed or assigned for the acquisition and/or construction of major governmental general fixed assets.

Capital Facilities Fund: used to account for resources received from residential and commercial developer impact fees.

Debt Service Funds: used to account for the financial resources that are restricted, committed or assigned and the accumulation of resources for, the payment of general long-term debt principal,

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

interest, and related costs.

Bond Interest and Redemption Fund: used to account for bond interest and redemption of general obligation bond principal.

Fiduciary Fund

Associated Student Body Fund: used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the county treasury is recorded at cost, which approximates fair value.

Receivables

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible. Per Education Code Section 33128.1, a local education agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

SOMIS UNION SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventory

Inventory is presented at the lower of cost or market on an average basis and is expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2016, the Cafeteria fund had inventory of \$8,566 for food.

Capital Assets

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Statement of Net Position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined by GASB. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and improvements	25-50 years
Furniture and equipment	5-20 years
Vehicles	8 years

Deferred Outflows of Resources

Deferred Outflows – Pensions: The deferred outflows of resources related to pensions results from the following and are recognized as follows:

- District contributions to employee pension plans subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.
- All other deferred outflows will be amortized to pension expense over the estimated average remaining service lifetime of plan participants (EARSL) over closed periods. The EARSL is 7 years for the California State Teachers' Retirement System (CalSTRS) and 3.9 years for the California Public Employees' Retirement System plan for schools (CalPERS). The first year of amortization is recognized in pension expense in the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods.

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unearned Revenue

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

Compensated Absences

Employee vacation benefits are paid in full at the end of each fiscal year.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave, therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken. However, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide financial statements.

Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. General obligation bonds are reported net of the applicable bond premium.

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

Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' 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. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources related to pensions results from the following and are amortized to pension expense as follows:

- The net differences between projected and actual earnings on plan investments are amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period.
- All other deferred inflows will be amortized to pension expense over the estimated average remaining service lifetime of plan participants (EARSL) over closed periods. The EARSL is 7 years for CalSTRS and 3.9 years for CalPERS. The first year of amortization is recognized in pension expense in the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods.

Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

Fund Balance Classification

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

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Committed: Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Trustees. These amounts cannot be used for any other purpose unless the District Board of Trustees removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The District Board of Trustees, through a formal action has given authority to the Chief Business Official to assign amounts for a specific purpose that is neither restricted nor committed.

Unassigned: The residual fund balance for the General Fund and all other spendable amounts.

Spending Order Policy

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted net position or fund balance is available.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Trustees has provided otherwise in its commitment or assignment functions.

Minimum Fund Balance Policy

The District has adopted a minimum fund balance policy in order to protect against revenue shortfalls and unexpected one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts which represent, at a minimum, 6% of annual operating expenditures and other uses.

State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. Second period to annual corrections for local control funding formula and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1st. Taxes are

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

payable in two installments on November 1st and February 1st. Unsecured property taxes are payable in one installment on or before August 31st.

Real and personal property tax revenues are reported in the same manner in which the county auditor records and reports actual property tax receipts to the California Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the state for local control funding formula purposes. Property taxes for debt service purposes cannot be estimated and have, therefore, not been accrued in the government-wide financial statements.

On-Behalf Payments

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all school districts in California. The amount of on-behalf payments made for the District has been recorded in the fund financial statements.

Contributed Services

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of immaterial equipment and supplies which are not recorded upon receipt.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the District Board of Trustees.

SOMIS UNION SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

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

The following potential component units have been excluded from the District's reporting entity:

The Somis Education Foundation: The Foundation is a separate not-for-profit corporation. The Foundation is not included as a component unit because the third criterion was not met. Separate financial statements for the Foundation may be obtained through the District.

Parent Faculty Organization (PFO): The PFO is not included as a component unit because the third criterion was not met.

NOTE 2: BUDGETS

By state law, the District Board of Trustees must approve a budget no later than July 1st, using the Single Adoption Budget process. A public hearing must be conducted to receive comments prior to adoption. The District Board of Trustees satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with GAAP.

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 2: BUDGETS

These budgets are revised by the District Board of Trustees during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2016, the District's bank balance of \$7,924 was not exposed to credit risk.

Cash in County

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Ventura County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2016 is measured at 100.18% of amortized costs. The District's deposits in the fund are considered to be highly liquid.

The county is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635 and 53648. The county is restricted to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participants percentage participation on the date of such withdrawals.

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 3: DEPOSITS AND INVESTMENTS

The pools sponsor's annual financial report may be obtained from the Ventura County Board of Supervisors, County Government Center, 800 South Victoria Avenue, Ventura, CA 93009.

NOTE 4: ACCOUNTS RECEIVABLE

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

<u>Accounts Receivable</u>	<u>General Fund</u>	<u>Building Fund</u>	<u>Special Reserve Fund for Capital Outlay</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Federal and state	\$ 50,912	\$ -	\$ -	\$ 13,771	\$ 64,683
Miscellaneous	4,506	6,384	1,128	1,749	13,767
Total accounts receivable	<u>\$ 55,418</u>	<u>\$ 6,384</u>	<u>\$ 1,128</u>	<u>\$ 15,520</u>	<u>\$ 78,450</u>

NOTE 5: INTERFUND TRANSACTIONS

Interfund activity has been eliminated in the government-wide statements. The following balances and transactions are reported in the fund financial statements.

Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2016 are temporary loans and are detailed as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 3,522	\$ -
Non-Major Funds:		
Cafeteria Fund	-	3,522
Total	<u>\$ 3,522</u>	<u>\$ 3,522</u>

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 6: FUND BALANCES

The following amounts were nonspendable, restricted, committed, assigned or unassigned as shown below:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:					
Cash in revolving fund	\$ 2,500	\$ -	\$ -	\$ -	\$ 2,500
Inventory	-	-	-	8,566	8,566
Total nonspendable	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>8,566</u>	<u>11,066</u>
Restricted:					
Legally restricted programs	79,340	-	-	-	79,340
Cafeteria program	-	-	-	23,529	23,529
Capital projects	-	1,272,476	-	459,904	1,732,380
Debt service	-	-	-	264,732	264,732
Total restricted	<u>79,340</u>	<u>1,272,476</u>	<u>-</u>	<u>748,165</u>	<u>2,099,981</u>
Committed:					
Pupil transportation	80,135	-	-	-	80,135
Science lab	65,618	-	-	-	65,618
Postemployment benefits	1,746	-	-	-	1,746
Deferred maintenance program	568	-	-	-	568
Total committed	<u>148,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,067</u>
Assigned:					
Capital projects	-	-	493,390	-	493,390
Total assigned	<u>-</u>	<u>-</u>	<u>493,390</u>	<u>-</u>	<u>493,390</u>
Unassigned:					
Economic uncertainties	161,799	-	-	-	161,799
Unassigned	1,243,769	-	-	-	1,243,769
Total unassigned	<u>1,405,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,405,568</u>
Total fund balance	<u>\$ 1,635,475</u>	<u>\$ 1,272,476</u>	<u>\$ 493,390</u>	<u>\$ 756,731</u>	<u>\$ 4,158,072</u>

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 7: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

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

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ -	\$ 1,143,310	\$ -	\$ 1,143,310
Construction in progress	613,714	910,216	-	1,523,930
Total capital assets not being depreciated	613,714	2,053,526	-	2,667,240
Capital assets being depreciated:				
Land improvements	928,741	-	-	928,741
Buildings	1,336,306	5,300	-	1,341,606
Equipment	644,007	10,798	-	654,805
Total capital assets being depreciated	2,909,054	16,098	-	2,925,152
Less accumulated depreciation for:				
Land improvements	(756,707)	(23,672)	-	(780,379)
Buildings	(775,727)	(66,255)	-	(841,982)
Equipment	(571,604)	(18,632)	-	(590,236)
Total accumulated depreciation	(2,104,038)	(108,559)	-	(2,212,597)
Depreciable assets, net	805,016	(92,461)	-	712,555
Governmental activities capital assets, net	\$ 1,418,730	\$ 1,961,065	\$ -	\$ 3,379,795

NOTE 8: LONG-TERM DEBT – SCHEDULE OF CHANGES

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due in One Year
General obligation bonds	\$ 4,000,000	\$ -	\$ 75,000	\$ 3,925,000	\$ 85,000
Premium on general obligation bonds	214,725	-	7,646	207,079	-
Total general obligation bonds	4,214,725	-	82,646	4,132,079	85,000
Early retirement incentive	81,730	-	28,565	53,165	25,347
Net pension liability	1,554,723	292,920	-	1,847,643	-
Total	\$ 5,851,178	\$ 292,920	\$ 111,211	\$ 6,032,887	\$ 110,347

General obligation bonds are liquidated by the tax assessments recorded in the Bond Interest and Redemption Fund. The early retirement incentive and net pension liability are liquidated by the General Fund.

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 9: GENERAL OBLIGATION BONDS

On November 6, 2012, \$9,000,000 in general obligation bonds were authorized by an election (Measure S) held within the District. The bonds were authorized to finance the renovation, construction and improvement of school facilities of the District. In 2013, the District issued bonds, Series A, totaling \$4,000,000.

The outstanding general obligation bonded debt of the District at June 30, 2016 is:

General Obligation Bonds	Date of Issue	Date of Final Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2016
Measure S: Series A	10/30/2013	8/1/2043	4.0-5.5	\$ 4,000,000	\$ 3,925,000

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest
2017	\$ 85,000	\$ 205,200
2018	100,000	201,500
2019	115,000	197,200
2020	135,000	192,200
2021	-	189,500
2022-2026	85,000	941,125
2027-2031	335,000	892,850
2032-2036	705,000	757,763
2037-2041	1,255,000	492,113
2042-2044	1,110,000	95,425
Total	<u>\$ 3,925,000</u>	<u>\$ 4,164,876</u>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The outstanding bonds included total premiums of \$228,105. These amounts are amortized using the straight-line method. Amortization of premiums of \$7,646 was recognized during the fiscal year.

NOTE 10: EARLY RETIREMENT INCENTIVE

The District offered an early retirement incentive in 2011 to both the District and the dissolved Somis Academy Charter School. Eligible employees that retired prior to a certain date are provided three annual payments of \$12,000 and medical benefits equal to the capped amount for a regular full time employee until reaching the age of 65. Two District employees and one charter school employee who met the requirements chose to participate in the plan. The District paid \$28,565 during 2015-16 for these benefits. The liability for future payments at June 30, 2016 was \$53,165.

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

As of June 30, 2016, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS (STRP)	\$ 1,346,480	\$ 118,170	\$ 132,260	\$ 104,300
CalPERS (Schools Pool Plan)	501,163	73,168	47,953	46,370
Total	<u>\$ 1,847,643</u>	<u>\$ 191,338</u>	<u>\$ 180,213</u>	<u>\$ 150,670</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP.

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes to the STRP Defined Benefit Program and STRP Defined Benefit Supplement Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

<u>Provisions and Benefits</u>	<u>STRP Defined Benefit Program and Supplement Program</u>	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.39%	7.39%

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2016 are presented above and the total District contributions were \$118,170.

Pension Liabilities, Pension Expense, and 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 that was associated with the District were as follows:

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

	Balance June 30, 2016
Proportionate Share of Net Pension Liability	
District proportionate share of net pension liability	\$ 1,346,480
State's proportionate share of the net pension liability associated with the District	712,138
Total	\$ 2,058,618

The net pension liability was measured as of June 30, 2015. 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 school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0020%.

For the year ended June 30, 2016, the District recognized pension expense of \$104,300. In addition the District recognized revenue and corresponding expense of \$55,163 for 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
Pension Deferred Outflows and Inflows of Resources		
Pension contributions subsequent to measurement date	\$ 118,170	\$
Difference between expected and actual experience		22,500
Net differences between projected and actual earnings on plan investments		109,760
Total	\$ 118,170	\$ 132,260

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The remaining amount will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2017	\$ (31,190)
2018	(31,190)
2019	(31,190)
2020	(31,190)
2021	(3,750)
2022	(3,750)
Total	\$ (132,260)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

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 methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.60%
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%

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.

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

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

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 the contributions from plan members and employers will be made at statutory contribution rates. 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 expense occurred midyear. Based on these 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 2,033,080
Current discount rate (7.60%)	1,346,480
1% increase (8.60%)	775,860

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member’s final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member’s beneficiary if the member dies while actively employed. An employee’s eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

Provisions and Benefits	School Employer Pool (CalPERS)	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

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. Total plan contributions are determined through the 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. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016 are as presented above and the total District contributions were \$44,526.

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$501,163. The net pension liability was measured as of June 30, 2015. 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 school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0034%.

For the year ended June 30, 2016, the District recognized pension expense of \$46,370. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 44,526	\$
Difference between expected and actual experience	28,642	
Changes of assumptions		30,793
Net differences between projected and actual earnings on plan investments		17,160
Total	\$ 73,168	\$ 47,953

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The net remaining amounts will be amortized as follows:

Year Ending June 30,	Amortization
2017	\$ (13,320)
2018	(13,320)
2019	(13,248)
2020	20,577
Total	\$ (19,311)

Actuarial Methods and Assumptions

Total pension liability for the School Employer Pool 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 methods and assumptions, applied to all prior periods included in the measurement:

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Actuarial Methods and Assumptions

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.65%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	19%	2.43%
Private equity	10%	6.95%
Real estate	12%	5.13%
Inflation assets	6%	3.36%
Liquidity	2%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 11: EMPLOYEE RETIREMENT PLANS

Employer Pool 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 815,685
Current discount rate (7.65%)	501,163
1% increase (8.65%)	239,617

Plan Fiduciary Net Position

Detailed information about CalPERS School Employer plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

NOTE 12: POST-EMPLOYMENT BENEFITS

The District provides post-employment health care benefits, in accordance with District employment contracts and District Board policies, to retired employees who were hired prior to October 19, 1988, and had been a full-time employee of the District for at least 20 years prior to retirement. The District pays up to \$2,769 annually towards the premium for each eligible retiree until the retiree becomes 65 years of age.

The District has committed \$1,746 of General Fund ending balance as of June 30, 2016 to pay for this liability. In addition, there is one current employee hired prior to October 19, 1988 who may be eligible to retire with post-employment benefits.

The potential future liability related to the Post-Employment Benefits Plan has not been included in long-term debt as the estimated liability calculated is not material to the financial statements.

NOTE 13: JOINT POWERS AGREEMENTS

The District participates in four joint power agreement (JPA) entities, Ventura County Schools Self-Funding Authority (VCSSFA), Ventura County Fast Action School Transit Authority

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 13: JOINT POWERS AGREEMENTS

(VCFAST), Ventura County Schools Business Services Authority (VCSBSA) and Self-Insured Schools of California (SISC). VCSSFA provides workers' compensation, property and liability coverage for its member school districts through a varying combination of coverage. The District pays a contribution commensurate with the level of coverage requested. VCFAST was established July 1, 1995 for the purpose of providing a county wide distribution system for carrying documents and materials to and from the Ventura County Superintendent of Schools Office and participating public agencies. VCSBSA was established April 1, 1988 for the purpose of providing school business services for participating public agencies. SISC arranges for health and welfare benefits for employees and retirees of participating school districts and their eligible dependents. Member districts pay a monthly premium per eligible participant.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. VCSSFA, VCFAST, VCSBSA and SISC maintain their own accounting records. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. Separate financial statements for each JPA may be obtained from the respective entity.

The relationships between the District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes.

Condensed financial information is as follows:

	VCSSFA (Audited) 6/30/2016	VCFAST (Audited) 6/30/2016	VCSBSA (Audited) 6/30/2016	SISC (Audited) 9/30/2015
JPA Condensed Financial Information				
Total assets and deferred outflows of resources	\$ 108,587,704	\$ 50,917	\$ 882,826	\$ 344,609,638
Total liabilities and deferred inflows of resources	<u>54,322,856</u>	<u>23,006</u>	<u>684,735</u>	<u>147,784,306</u>
Net position	<u>\$ 54,264,848</u>	<u>\$ 27,911</u>	<u>\$ 198,091</u>	<u>\$ 196,825,332</u>
Total revenues	22,318,784	120,779	1,293,478	1,642,782,008
Total expenditures	<u>17,039,020</u>	<u>117,049</u>	<u>932,573</u>	<u>1,591,548,088</u>
Change in net position	<u>\$ 5,279,764</u>	<u>\$ 3,730</u>	<u>\$ 360,905</u>	<u>\$ 51,233,920</u>

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

NOTE 14: COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, which 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 reimbursement will not be material.

Purchase Commitments

As of June 30, 2016, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$290,000. Projects will be funded through Bond Proceeds.

**NOTE 15: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2016 that have future effective dates. The following pronouncements will impact the District's financial reporting; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

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

This statement was issued in June 2015 and establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB. The statement also establishes requirements for reporting information about financial support provided by certain non-employer entities for OPEB that is provided to the employees of other entities. The statement is effective for the fiscal year 2017-18.

Statement No. 82 – Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73

This statement was issued in March 2016 and establishes guidance in order to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension*

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

**NOTE 15: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for the fiscal year 2016-17.

REQUIRED SUPPLEMENTARY INFORMATION

SOMIS UNION SCHOOL DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2016**

	Budgetary Amounts -			Fund Basis to	
	General Fund		Actual Amounts	GAAP (a)	Actual Amounts
	Original	Final (b)	General Fund (b)		GAAP Basis
Revenues					
Local control funding formula sources:					
State apportionments	\$ 419,598	\$ 476,667	\$ 351,305	\$ -	\$ 351,305
Local sources	1,541,529	1,504,414	1,632,530	-	1,632,530
Total local control funding formula sources:	1,961,127	1,981,081	1,983,835	-	1,983,835
Federal sources	175,519	182,790	169,107	-	169,107
Other state sources	233,505	322,943	320,138	-	320,138
Other local sources	150,021	187,867	182,263	829	183,092
Total Revenues	2,520,172	2,674,681	2,655,343	829	2,656,172
Expenditures					
Certificated salaries	1,026,299	1,116,849	1,106,853	-	1,106,853
Classified salaries	377,777	383,717	381,519	-	381,519
Employee benefits	460,416	542,200	537,124	-	537,124
Books and supplies	128,362	82,397	57,826	-	57,826
Services and other operating expenditures	545,541	521,323	507,137	8,775	515,912
Other outgo	127,629	233,102	182,672	-	182,672
Total Expenditures	2,666,024	2,879,588	2,773,131	8,775	2,781,906
Deficiency of revenues over expenditures	(145,852)	(204,907)	(117,788)	(7,946)	(125,734)
Other Financing Sources (Uses)					
Interfund transfers in	3,949	3,949	3,949	(3,949)	-
Interfund transfers out	(15,000)	-	-	-	-
Total Other Financing Sources (Uses)	(11,051)	3,949	3,949	(3,949)	-
Net changes in fund balance	\$ (156,903)	\$ (200,958)	(113,839)	(11,895)	(125,734)
Fund Balance - Beginning of Year			1,601,247	159,962	1,761,209
Fund Balance - End of Year			\$ 1,487,408	\$ 148,067	\$ 1,635,475

(a) Amounts presented are the result of the District including activity of the Deferred Maintenance Fund, Pupil Transportation Fund, Special Reserve Fund for Other than Capital Outlay, and the Special Reserve for Postemployment Benefits Fund. Intrafund transfers have been eliminated.

(b) Amounts have been revised to reflect the recording of state on-behalf payments to CalSTRS of \$76,470.

See the accompanying notes to the required supplementary information.

SOMIS UNION SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2016

<u>State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 94,047	\$ 118,170
Contributions in relation to the contractually required contribution	<u>94,047</u>	<u>118,170</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$ 1,059,000	 \$ 1,100,000
 Contributions as a percentage of covered-employee payroll	 8.88%	 10.73%
 <u>California Public Employees' Retirement Plan - Schools Pool Plan</u>	 <u>2015</u>	 <u>2016</u>
Contractually required contribution	\$ 44,324	\$ 44,526
Contributions in relation to the contractually required contribution	<u>44,324</u>	<u>44,526</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$ 376,500	 \$ 375,700
 Contributions as a percentage of covered-employee payroll	 11.77%	 11.85%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Budgetary Comparison For The General Fund

A budgetary comparison is presented for the general fund. This schedule presents the budget as originally adopted, the revised budget as of the fiscal year end, actual amounts at fiscal year end, and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

Schedules of District's Proportionate Share of the Net Pension Liability – STRP and PERS – Schools Pool Plan

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedules of District Contributions – STRP and PERS – Schools Pool Plan

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no excesses of expenditures over appropriations in the General Fund.

SUPPLEMENTARY INFORMATION

SOMIS UNION SCHOOL DISTRICT

**HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2016**

The Somis Union School District was established in 1895 and moved to its present location in 1924. It is situated on an eight-acre campus in Ventura County. There were no changes in the boundaries of the District during the current year. The District is a feeder school to Adolfo Camarillo High School, which is a part of the Oxnard Union High School District. The District currently operates one elementary school consisting of kindergarten through eighth grade.

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2016 were as follows:

BOARD OF TRUSTEES

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Robert Fulkerson	President	December 2016
Patricia Ehrhardt	Clerk	December 2016
Scott Mier	Member	December 2018
Lizette Cuevas-Gonzalez	Member	December 2018
Michelle Quintero	Member	December 2018

DISTRICT ADMINISTRATORS

Dr. Colleen Robertson	Superintendent
Tami Peterson	Chief Business Official

SOMIS UNION SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2016**

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the California Department of Education.

ADA statistics reported to the state for the fiscal year ended June 30, 2016 are as follows:

	Revised	
	<u>Second Period</u>	<u>Annual</u>
Regular ADA		
Transitional Kindergarten through third grade	95	97
Fourth through sixth grade	68	69
Seventh and eighth grade	<u>49</u>	<u>50</u>
Total ADA	<u>212</u>	<u>216</u>

See the accompanying notes to the supplementary information.

SOMIS UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2016

Grade Level	Minute Requirement	Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	55,445	180	In Compliance
Grade 1	50,400	52,760	180	In Compliance
Grade 2	50,400	52,760	180	In Compliance
Grade 3	50,400	52,760	180	In Compliance
Grade 4	54,000	58,790	180	In Compliance
Grade 5	54,000	58,790	180	In Compliance
Grade 6	54,000	58,790	180	In Compliance
Grade 7	54,000	59,685	180	In Compliance
Grade 8	54,000	59,685	180	In Compliance

See the accompanying notes to the supplementary information.

SOMIS UNION SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30,**

	<u>2017 (Budgeted)</u>	<u>2016</u>	<u>2015</u>	<u>2014 *</u>
Revenues				
Local control funding formula sources	\$ 1,939,522	\$ 1,983,835	\$ 1,812,149	\$ 1,782,003
Federal sources	157,013	169,107	165,956	169,656
Other state sources	143,968	320,138	169,333	155,402
Other local sources	154,889	182,263	215,409	220,278
Interfund transfers in	-	3,949	32,031	18,873
Total revenues	<u>2,395,392</u>	<u>2,659,292</u>	<u>2,394,878</u>	<u>2,346,212</u>
Expenditures				
Certificated salaries	1,155,496	1,106,853	1,066,076	1,073,125
Classified salaries	381,717	381,519	379,500	361,688
Employee benefits	468,315	537,124	511,592	485,668
Books and supplies	134,003	57,826	76,068	192,705
Services and other operating expenditures	407,126	507,137	466,457	445,582
Capital outlay	-	-	-	50,375
Other outgo	163,933	182,672	245,607	88,759
Total expenditures	<u>2,710,590</u>	<u>2,773,131</u>	<u>2,745,300</u>	<u>2,697,902</u>
Change in fund balance	<u>\$ (315,198)</u>	<u>\$ (113,839)</u>	<u>\$ (350,422)</u>	<u>\$ (351,690)</u>
Ending fund balance	<u>\$ 1,172,210</u>	<u>\$ 1,487,408</u>	<u>\$ 1,601,247</u>	<u>\$ 1,951,669</u>
Available reserve	<u>\$ 1,145,561</u>	<u>\$ 1,405,568</u>	<u>\$ 1,512,752</u>	<u>\$ 1,773,195</u>
Available reserve %	42.3%	50.7%	55.1%	65.7%
State recommended reserve %	5.0%	5.0%	5.0%	5.0%
ADA	<u>212</u>	<u>212</u>	<u>233</u>	<u>249</u>
Total long term debt	<u>\$ 5,922,540</u>	<u>\$ 6,032,887</u>	<u>\$ 5,851,178</u>	<u>\$ 4,331,945</u>

The amounts above are those reported as General Fund in the Annual Financial and Budget Report and do not include special revenue funds included in the General Fund of the governmental funds' financial statements.

Available reserves are those amounts reserved for economic uncertainty and any other remaining unassigned fund balance from the General Fund. For a District this size, the state recommends a 5% reserve of total General Fund expenditures, transfers out and other uses. For the year ended June 30, 2016, the District has met this requirement.

The 2017 budget is the original budget adopted on June 14, 2016.

* In 2015, the District adopted GASB Statement No. 68 and No. 71 which effected revenues, expenses and long-term debt. 2014 has not been restated to reflect those changes.

See the accompanying notes to the supplementary information.

SOMIS UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2016

The District is not the granting agency for any charter schools.

See the accompanying notes to the supplementary information.

SOMIS UNION SCHOOL DISTRICT

**RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT
WITH THE AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016**

There were no differences between the fund balances reported on the June 30, 2016 Annual Financial and Budget Report for the governmental funds and the audited financial statements.

See the accompanying notes to the supplementary information.

SOMIS UNION SCHOOL DISTRICT

NOTES TO THE SUPPLEMENTARY INFORMATION For the Fiscal Year Ended June 30, 2016

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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.

Schedule of Instructional Time

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

Schedule of Financial Trends and Analysis

The *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

Schedule of Charter Schools

The *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

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 on the annual Financial and Budget Report form to the audited financial statements.

OPTIONAL SUPPLEMENTARY INFORMATION

SOMIS UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2016

	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<u>Assets</u>				
Cash in county treasury	\$ 14,708	\$ 458,611	\$ 264,306	\$ 737,625
Cash and cash equivalents	1,125	-	-	1,125
Accounts receivable	13,801	1,293	426	15,520
Inventory	8,566	-	-	8,566
Total Assets	\$ 38,200	\$ 459,904	\$ 264,732	\$ 762,836
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 2,583	\$ -	\$ -	\$ 2,583
Due to other funds	3,522	-	-	3,522
Total Liabilities	6,105	-	-	6,105
Fund Balances				
Nonspendable	8,566	-	-	8,566
Restricted	23,529	459,904	264,732	748,165
Total Fund Balances	32,095	459,904	264,732	756,731
Total Liabilities and Fund Balances	\$ 38,200	\$ 459,904	\$ 264,732	\$ 762,836

See the accompanying notes to the optional supplementary information.

SOMIS UNION SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE**

NON-MAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2016

	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues				
Federal sources	\$ 80,945	\$ -	\$ -	\$ 80,945
Other state sources	6,087	-	983	7,070
Other local sources	19,802	20,145	283,180	323,127
Total Revenues	<u>106,834</u>	<u>20,145</u>	<u>284,163</u>	<u>411,142</u>
Expenditures				
Pupil services	105,317	-	-	105,317
General administration	3,522	6,489	-	10,011
Plant services	756	5,850	-	6,606
Debt service	-	-	284,150	284,150
Total Expenditures	<u>109,595</u>	<u>12,339</u>	<u>284,150</u>	<u>406,084</u>
Net changes in fund balance	<u>(2,761)</u>	<u>7,806</u>	<u>13</u>	<u>5,058</u>
Fund Balances at Beginning of Year	<u>34,856</u>	<u>452,098</u>	<u>264,719</u>	<u>751,673</u>
Fund Balances at End of Year	<u>\$ 32,095</u>	<u>\$ 459,904</u>	<u>\$ 264,732</u>	<u>\$ 756,731</u>

See the accompanying notes to the optional supplementary information.

SOMIS UNION SCHOOL DISTRICT

**NOTES TO THE OPTIONAL SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016**

NOTE 1: PURPOSE OF SCHEDULES

Combining Fund Financial Statements

The combining fund balance sheet and the statement of revenues, expenditures and changes in fund balance has been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements

OTHER INDEPENDENT AUDITOR'S REPORTS

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

Board of Trustees
Somis Union School District
Somis, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Somis Union School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 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 financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**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***

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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Vicenti Lloyd + Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 6, 2016

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Somis Union School District
Somis, California

We have audited the Somis Union School District's (the District) compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2016. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditor's Responsibility

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

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
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
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No ¹
After School Education and Safety Program	Yes
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	Yes
Charter Schools:	
Attendance	No ²
Mode of Instruction	No ²
Nonclassroom Based Instruction/Independent Study	No ²
Determination of Funding for Nonclassroom Based Instruction	No ²
Annual Instructional Minutes – Classroom Based	No ²
Charter School Facility Grant Program	No ²

¹Testing was not performed because California Clean Energy Jobs Act funds were not spent during the audit year.

²The District is not the granting agency for any charter schools.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and which is described in the accompanying schedule of findings and responses as item 16-001. Our opinion on each state program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

Vicenti, Lloyd + Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 6, 2016

FINDINGS AND RESPONSES

SOMIS UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2016

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings related to the basic financial statements for the year ended June 30, 2016.

SOMIS UNION SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RESPONSES

June 30, 2016

15-001 Classroom Teachers Salaries

61000

Criteria: Pursuant to California Education Code Section 41372, an elementary school district is required to expend 60% of a district's current expense of education on compensation for classroom teachers.

Condition: Upon review of the Current Expense Formula/Minimum Classroom Compensation report it was noted that the District did not meet the 60% requirement. It was noted that the District's current expense of education for classroom teachers of \$2,303,756 was deficient by \$186,604.

Effect: The District is not in compliance with California Education Code Section 41372.

Cause: With the change in state funding and as part of the District's Local Control Accountability Plan, more dollars have been allocated for pupil services, parent participation and non-classroom based activities. As a result, the District did not meet its minimum classroom compensation percentage

Recommendation: The District should establish procedures to monitor and verify that 60% of the District's current expense of education is spent on the compensation of classroom teachers.

Current Status: The District filed and received a waiver for the 2014-15 fiscal year; however, the District is not in compliance for the 2015-16 fiscal year. See Finding 16-001.