

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

C E R T I F I E D
P U B L I C
A C C O U N T A N T S

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December 10, 2015

Bruce Abbott
Chief Business Official
Shoreline Unified School District
P.O. Box 198
Tomales, CA 94971

Dear Bruce:

Enclosed are eight (8) bound copies of the annual financial report of Shoreline Unified School District for the fiscal year ended June 30, 2015. An electronic copy will be emailed to you at bruce.abbott@shorelineunified.org.

Also enclosed is a letter to the Board summarizing the results of the audit. Please present this letter to the Board.

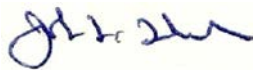
Copies of the report have been filed with the following agencies:

- Marin County Superintendent of Schools
- State Controller's Office
- State Department of Education

If you have any questions regarding these reports, please do not hesitate to contact us.

Very truly yours,

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP



John L. Goodell
Certified Public Accountant

JLG:la

enclosures

SHORELINE UNIFIED SCHOOL DISTRICT
COUNTY OF MARIN
TOMALES, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

SHORELINE UNIFIED SCHOOL DISTRICT

JUNE 30, 2015

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SHORELINE UNIFIED SCHOOL DISTRICT

JUNE 30, 2015

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FINANCIAL SECTION

GOODELL,
PORTER,
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CERTIFIED
PUBLIC
ACCOUNTANTS

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MICHELLE M. HANSON, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Shoreline Unified School District
Tamales, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Shoreline Unified School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Shoreline Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Shoreline Unified School District, as of June 30, 2015, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 12 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District is recognizing its share of the unfunded liability for the California State Teachers' Retirement Plan (STRS) and the California Public Employees' Retirement System Schools Pool Cost-Sharing Multiple Employer Plan (PERS) for the first time based on the most recent actuarial valuations dated June 30, 2013. The District reported a net pension liability of \$8.8 million at June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and budgetary comparison information and accounting by employer for postemployment benefits and pensions on pages 56 through 60 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 Shoreline Unified School District's basic financial statements. The financial and statistical information listed as supplementary information in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015, on our consideration of the Shoreline Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shoreline Unified School District's internal control over financial reporting and compliance.



GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The discussion and analysis of Shoreline Unified School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements and the District's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

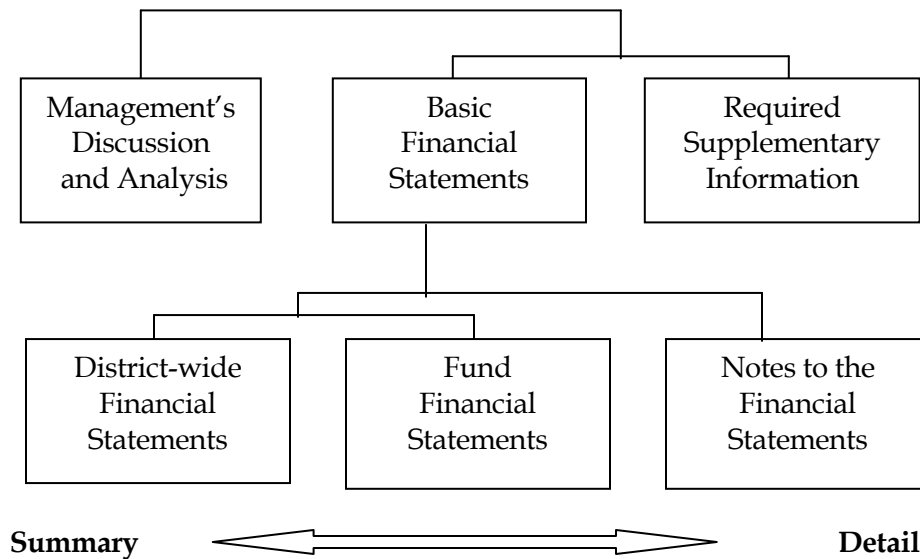
- The District received \$1,738,074 in Federal Impact Aid in 2014-2015 as compared to \$1,700,652 in 2013-2014, an increase of \$37,421. Federal Impact Aid fluctuates significantly from year to year based on distributions made by the U.S. Department of Education.
- General Fund (including the Deferred Maintenance Fund and the Special Revenue Fund for Other Post-Employment Benefits) expenditures and other uses exceeded revenues and other sources by \$792,381, ending the year with available reserves of \$4,129,042, which is higher than the State recommended reserve level of 4% of total General Fund outgo.
- The total of the District's fixed assets, land, site, buildings, and equipment, valued on an acquisition cost basis was \$37 million. After depreciation, the June 30, 2015, book value for fixed assets totaled \$16 million.
- In complying with GASB 68, the District is recognizing its portion of the unfunded STRS and PERS pension liabilities for the first time in 2014-2015. These liabilities are based on the most recent actuarial valuations. Implementation of GASB 68 requires the District to restate the June 30, 2014 net position by recognizing the pension liabilities. Recognizing the liabilities decreased the June 30, 2014 total net position on the Statement of Net Position by \$10.4 million.

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the Shoreline Unified School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Components of the Financial Section



The first two statements are *district-wide financial statements*, the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the whole District, presenting both an aggregate view of the District’s finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District’s more significant funds with all other non-major funds presented in total in one column. A comparison of the District’s general fund budget is included.

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section (Concluded)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2014-2015?"

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools to assess the overall health of the District.

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

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

◆ Governmental Funds

Most of the District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund, Cafeteria Fund and Bond Interest and Redemption Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They 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 operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

◆ Fiduciary Funds

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

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The School District as a Whole

The District's net position was a deficit \$2.5 million at June 30, 2015. Of this amount, a deficit \$7.2 million was unrestricted. Net investment in capital assets, account for \$3.2 million of the total net position. A comparative analysis of government-wide data is presented in Table 1.

(Table 1)
Comparative Statement of Net Position

	Governmental Activities	
	2015	2014
ASSETS		
Cash and investments	\$ 6,451,291	\$ 6,564,729
Receivables	311,856	665,477
Stores inventory	8,761	216
Prepaid expenditures		299
Capital assets	16,122,412	17,103,355
Total assets	<u>22,894,320</u>	<u>24,334,076</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension expense	<u>684,665</u>	<u>0</u>
LIABILITIES		
Accounts payable and other current liabilities	700,326	502,617
Unearned revenue	5,223	
Other postemployment benefits	922,354	759,443
Net pension liability	8,812,081	
Long-term liabilities	13,282,141	13,599,121
Total liabilities	<u>23,722,125</u>	<u>14,861,181</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred earnings on pension plan investments	<u>2,401,856</u>	<u>0</u>
NET POSITION		
Net investment in capital assets	3,174,472	3,640,306
Restricted	1,447,273	1,356,265
Unrestricted (deficit)	<u>(7,166,741)</u>	<u>4,476,324</u>
Total net position (deficit)	<u>\$ (2,544,996)</u>	<u>\$ 9,472,895</u>

The implementation of GASB 68 in the fiscal year ended June 30, 2015, resulted in a deficit net position.

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The District's net position decreased \$1.6 million this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 74% of total expenses. The purely administrative activities of the District accounted for just 6% of total costs. The remaining 20% was spent in the areas of plant services and other expenses, interest on long-term debt and other outgo. (See Figure 2).

**(Table 2)
Comparative Statement of Change in Net Position**

	Governmental Activities	
	2015	2014
REVENUES		
Program revenues	\$ 1,628,580	\$ 1,569,900
General revenues		
Taxes levied for general purposes	7,192,252	6,970,679
Taxes levied for other specific purposes	927,584	909,813
Taxes levied for debt service	1,185,402	856,503
Federal and State Aid not restricted to specific purposes	2,825,286	2,772,940
Interest and investment earnings	11,009	8,200
Interagency revenues	70,772	27,244
Miscellaneous	130,336	100,651
Total revenues	<u>13,971,221</u>	<u>13,215,930</u>
EXPENSES		
Instruction	8,171,779	7,264,881
Instruction related services	1,312,430	1,170,002
Pupil support services	2,059,453	1,965,791
General administration	863,661	826,772
Plant services	1,188,108	1,197,294
Other	1,952,497	2,044,109
Total expenses	<u>15,547,928</u>	<u>14,468,849</u>
Increase (decrease) in net position	<u>\$ (1,576,707)</u>	<u>\$ (1,252,919)</u>

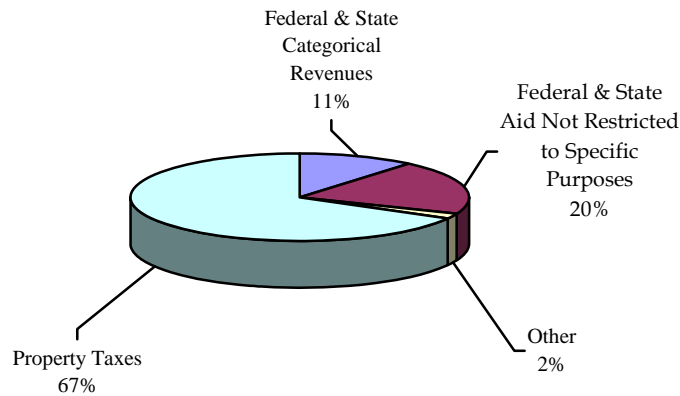
SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

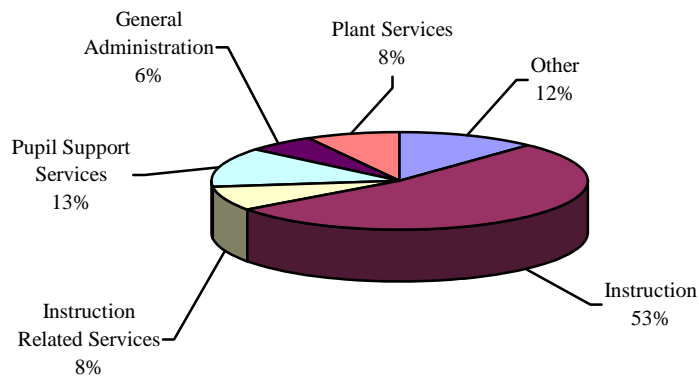
Governmental Activities

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$15.5 million. The amount that our local taxpayers financed for these activities through property taxes was \$9.3 million. Federal and state aid not restricted to specific purposes totaled \$2.8 million. State and Federal Categorical revenue totaled over \$1.6 million, and covered 11% of the expenses of the entire District (See Figure 1).

**Sources of Revenue for the 2014-2015 Fiscal Year
Figure 1**



**Expenses for the 2014-2015 Fiscal Year
Figure 2**



SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of \$6.3 million, a decrease of \$670 thousand from the previous fiscal year's combined ending balance of \$6.9 million. This decrease is mostly reflected in the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget regularly. The significant budget adjustments fell into the following categories:

- ◆ Budget revisions to the adopted budget required after approval of the State budget.
- ◆ Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments as vacant positions were filled.
- ◆ Budget revisions to update for new positions.
- ◆ Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories.

The final revised budget for the General Fund reflected a net decrease to the ending balance of \$1.7 million.

The District ended the year with a decrease of \$792 thousand to the General Fund ending balance. The State recommends an ending reserve for economic uncertainties of 4%. The District's ending reserve was 31.5% which included this reserve for economic uncertainties.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2014-2015 fiscal year, the District had expended \$37.4 million in a broad range of capital assets, including school buildings, multi-use facilities, site improvements, vehicles, and equipment. The capital assets, net of depreciation were \$16.1 million, which is a decrease of \$980 thousand from the previous year.

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Concluded)

Table 3
Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2015 and 2014

	2015	2014	Difference Increase (Decrease)
Land	\$ 829,201	\$ 829,201	
Site Improvements	156,355	175,351	\$ (18,996)
Buildings	14,540,192	15,429,386	(889,194)
Machinery and Equipment	596,664	669,417	(72,753)
Totals	\$ 16,122,412	\$ 17,103,355	\$ (980,943)

Additions in the current year include two new vans. Reductions include depreciation expense and the disposal of equipment no longer in service.

Long-Term Debt

At June 30, 2015, the District had \$13.3 million in long-term debt outstanding.

Table 4
Comparative Schedule of Outstanding Debt
June 30, 2015 and 2014

	2015	2014
General Obligation Bonds	\$ 12,835,000	\$ 13,400,000
Early Retirement Incentives	334,201	32,072
Capital Lease Obligations	32,940	63,049
Other General Long-term Debt	80,000	104,000
Totals	\$ 13,282,141	\$ 13,599,121

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Long-Term Debt (Concluded)

The long-term debt paid by the District was approximately \$651 thousand in 2014-2015. The District granted early retirement incentives to certificated and classified employees at a total cost of \$334 thousand.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Local Control Funding Formula (LCFF) is aimed at correcting historical inequities while decreasing previous constraints on restricted program expenses. The formula is intended to make funding more transparent and simple. With the new flexibility also come new requirements for accountability. The Local Control Accountability Plan (LCAP) is mandated and must be aligned and adopted with the District's 2015-2016 budget. The LCAP is expected to describe how the District intends to meet annual goals for all pupils, with specific activities to address state and local priorities identified during the LCAP development process.

The LCFF is the largest unknown for the District. The new funding structure has no statutory cost of living allowance built into it and relies solely on the annual budget process at the legislative level. Planning for the "out years" will be much more difficult and volatile under the LCFF funding formula. The eight years necessary to bring the District to their target funding could be unpredictable and unstable, thereby creating a need for a larger reserve than past years. The ongoing unpredictability of the District's supplemental and concentration funding under the LCFF will also create unstable budgets even after the district's target has been met in 2020-2021.

Future predictions and uncertainties with the changes to the State funding formula, enrollment and aging District facilities require management to plan carefully and prudently to provide the necessary resources to meet student's needs and continue to keep pace with inflation increases over the next several years.

SHORELINE UNIFIED SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Bruce Abbott, Chief Business Official, Shoreline Unified School District.

SHORELINE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash (Note 2)	\$ 6,451,291
Accounts Receivable (Note 3)	311,856
Stores Inventory (Note 1H)	8,761
Capital Assets, Net of Depreciation (Note 5)	16,122,412
Total Assets	<u>22,894,320</u>
DEFERRED OUTFLOWS OF RESOURCES (NOTE 1H)	
Deferred Pension Expense	<u>684,665</u>
LIABILITIES	
Accounts Payable and Other Current Liabilities	700,326
Unearned Revenue (Note 1H)	5,223
Other Postemployment Benefits (Note 11)	922,354
Net Pension Liability (Note 12)	8,812,081
Long-term Liabilities (Note 10)	
Due Within One Year	964,464
Due After One Year	12,317,677
Total Liabilities	<u>23,722,125</u>
DEFERRED INFLOWS OF RESOURCES (NOTE 1H)	
Deferred Earnings on Pension Plan Investments	<u>2,401,856</u>
NET POSITION	
Net Investment in Capital Assets	3,174,472
Restricted For:	
Capital Projects	1,008,870
Education Programs	379,338
Other Purposes (Expendable)	59,065
Unrestricted (Deficit)	<u>(7,166,741)</u>
Total Net Position (Deficit)	<u>\$ (2,544,996)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

JUNE 30, 2015

<u>Governmental Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in Net</u>
			<u>Contributions</u>	<u>Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Instruction	\$ 8,171,779	\$ 1,481	\$ 1,027,708	\$ (7,142,590)
Instruction-Related Services:				
Supervision of Instruction	68,477		46,345	(22,132)
Instructional Library, Media and Technology	7,700	5	936	(6,759)
School Site Administration	1,236,253	4	49,562	(1,186,687)
Pupil Services:				
Home-To-School Transportation	1,018,360	1	34,553	(983,806)
Food Services	465,234	30,121	204,601	(230,512)
All Other Pupil Services	575,859	204	91,638	(484,017)
General Administration:				
Data Processing	5,955			(5,955)
All Other General Administration	857,706	9	25,833	(831,864)
Plant Services	1,188,108	110	18,100	(1,169,898)
Ancillary Services	159,760	4	5,374	(154,382)
Community Services	172,052	220	65,377	(106,455)
Interest on Long-Term Debt	482,497			(482,497)
Other Outgo	121,905	108	26,286	(95,511)
Depreciation (unallocated)	1,016,283			(1,016,283)
Total Governmental Activities	\$ 15,547,928	\$ 32,267	\$ 1,596,313	(13,919,348)
General Revenues:				
Property Taxes Levied For:				
				7,192,252
				1,185,402
				927,584
				2,825,286
				11,009
				70,772
				130,336
Total General Revenues				12,342,641
Change (Decrease) in Net Position				(1,576,707)
Net Position Beginning (Deficit) Restated - Note 16				(968,289)
Net Position Ending (Deficit)				\$ (2,544,996)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash (Note 2)	\$ 5,413,642	\$ 28,779	\$ 1,008,870	\$ 6,451,291
Accounts Receivable (Note 3)	284,784	26,772		311,556
Due From Other Funds (Note 4)	300			300
Stores Inventory (Note 1H)		8,761		8,761
Total Assets	<u>\$ 5,698,726</u>	<u>\$ 64,312</u>	<u>\$ 1,008,870</u>	<u>\$ 6,771,908</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 481,560	\$ 5,247		\$ 486,807
Unearned Revenue (Note 1H)	5,223			5,223
Total Liabilities	<u>486,783</u>	<u>5,247</u>		<u>492,030</u>
Fund Balances (Note 1H):				
Nonspendable	3,000	8,761		11,761
Restricted	379,338	50,304	\$ 1,008,870	1,438,512
Assigned	700,563			700,563
Unassigned	4,129,042			4,129,042
Total Fund Balances	<u>5,211,943</u>	<u>59,065</u>	<u>1,008,870</u>	<u>6,279,878</u>
Total Liabilities and Fund Balances	<u>\$ 5,698,726</u>	<u>\$ 64,312</u>	<u>\$ 1,008,870</u>	<u>\$ 6,771,908</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balance - governmental funds	\$	6,279,878
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital assets, at historical cost:	\$	37,445,875	
Accumulated depreciation:		<u>(21,323,463)</u>	
Net:			16,122,412

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

(213,519)

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

General obligation bonds	\$	12,835,000	
Other post-employment benefits		922,354	
Net pension liability		8,812,081	
Early retirement incentives		334,201	
Capital lease obligations		32,940	
Other long-term debt		<u>80,000</u>	
Total			(23,016,576)

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

Deferred outflows of resources relating to pensions	\$	684,665	
Deferred inflows of resources relating to pensions		<u>(2,401,856)</u>	
Net			<u>(1,717,191)</u>

Total (deficit) net position - governmental activities	\$	<u><u>(2,544,996)</u></u>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Control Funding Formula Sources				
State Apportionments	\$ 976,485			\$ 976,485
Local Sources	<u>7,192,252</u>			<u>7,192,252</u>
Total Local Control Funding Formula Sources	8,168,737			8,168,737
Federal Revenue	2,035,029	\$ 182,302		2,217,331
Other State Revenue	420,207	16,398	\$ 4,016	440,621
Other Local Revenue	<u>1,677,330</u>	<u>30,359</u>	<u>1,182,793</u>	<u>2,890,482</u>
Total Revenues	<u>12,301,303</u>	<u>229,059</u>	<u>1,186,809</u>	<u>13,717,171</u>
EXPENDITURES				
Certificated Salaries	4,922,875			4,922,875
Classified Salaries	2,247,069	158,565		2,405,634
Employee Benefits	3,125,104	89,270		3,214,374
Books and Supplies	788,983	197,486		986,469
Services and Other				
Operating Expenditures	1,561,132	12,305		1,573,437
Capital Outlay	44,701			44,701
Debt Service:				
Principal Retirement	30,109		565,000	595,109
Interest and Fiscal Charges	1,806		520,953	522,759
Other Outgo	<u>97,905</u>			<u>97,905</u>
Total Expenditures	<u>12,819,684</u>	<u>457,626</u>	<u>1,085,953</u>	<u>14,363,263</u>
Excess of Revenues Over (Under) Expenditures	<u>(518,381)</u>	<u>(228,567)</u>	<u>100,856</u>	<u>(646,092)</u>
Other Financing Sources (Uses):				
Operating Transfers In (Note 4)		250,000		250,000
Operating Transfers Out (Note 4)	<u>(274,000)</u>			<u>(274,000)</u>
Total Other Financing Sources (Uses)	<u>(274,000)</u>	<u>250,000</u>	<u>0</u>	<u>(24,000)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(792,381)	21,433	100,856	(670,092)
Fund Balances - July 1, 2014	<u>6,004,324</u>	<u>37,632</u>	<u>908,014</u>	<u>6,949,970</u>
Fund Balances - June 30, 2015	<u>\$ 5,211,943</u>	<u>\$ 59,065</u>	<u>\$ 1,008,870</u>	<u>\$ 6,279,878</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Net change (decrease) in fund balances - total governmental funds \$ (670,092)

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

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

Expenditures for capital outlay:	\$ 44,700	
Depreciation expense:	(1,016,283)	
Net:		(971,583)

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (88,088)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 619,109

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: (9,360)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 8,347

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (162,911)

Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. This year, expenses incurred for early retirement incentives were: (302,129)

Total change (decrease) in net position - governmental activities \$ (1,576,707)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Private Purpose Trust		
	Special Ed Settlement Trust Fund	Scholarship Fund	Agency Fund
ASSETS			
Cash (Note 2)	\$ 130	\$ 121,710	\$ 73,390
Total Assets	<u>\$ 130</u>	<u>\$ 121,710</u>	<u>\$ 73,390</u>
LIABILITIES			
Due to Other Funds (Note 4)		\$ 300	
Due to Student Groups			\$ 73,390
Total Liabilities	<u>\$ 0</u>	<u>\$ 300</u>	<u>\$ 73,390</u>
NET POSITION			
Reserved for Special Ed Settlement Payments	\$ 130		
Reserved for Scholarships		\$ 121,410	
Total Net Position	<u>\$ 130</u>	<u>\$ 121,410</u>	<u>\$ 0</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Private Purpose Trust	
	Special Ed Settlement Trust Fund	Scholarship Fund
ADDITIONS		
Donations and Gifts		\$ 46,660
Interest and Investment Earnings	\$ 1	145
Transfers In (Note 4)	24,000	
	<u>24,001</u>	<u>46,805</u>
DEDUCTIONS		
Scholarships		61,700
Special Ed Settlement Payments	33,265	
	<u>33,265</u>	<u>61,700</u>
Total Deductions	33,265	61,700
Change in Net Position (Decrease)	(9,264)	(14,895)
Total Net Position - July 1, 2014	<u>9,394</u>	<u>136,305</u>
Total Net Position - June 30, 2015	<u>\$ 130</u>	<u>\$ 121,410</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For Shoreline Unified School District, this includes general operations, food service and student related activities of the District. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the District and its component units.

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

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

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus and the modified accrual basis of accounting.

C. Basis of Accounting

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

Revenues - exchange and non-exchange transactions:

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Revenues - exchange and non-exchange transactions (Concluded):

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

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

Expenses/expenditures:

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Expenditures incurred in the unrestricted resources shall be reduced first from the committed resources, then from assigned resources and lastly, the unassigned resources.

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the State Teachers Retirement Plan (STRS) and the CalPERS Schools Pool Cost-Sharing Multiple Employer Plan (PERS) and additions to/deductions from STRS and PERS fiduciary net positions have been determined on the same basis as they are reported separately by STRS and PERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Pensions (Concluded):

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

D. Fund Accounting

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

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund includes amounts reported in the District's Deferred Maintenance Fund and Special Reserve Fund for Postemployment Benefits.

Cafeteria Fund is used to account separately for federal, state, and local resources received and expenditures authorized by the Board to operate the District's food service program.

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

Additionally, the District reports the following fund types:

FIDUCIARY FUNDS:

Private Purpose Trust Funds are used to account for assets held by the District as trustee for individuals, private organizations or other governments and are therefore not available to support the District's own programs. The District maintains two Private Purpose Trust Funds:

1. Scholarship Fund holds the monies donated by the community for scholarships for our students. The scholarships that are awarded each year are paid for this fund.

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

FIDUCIARY FUNDS (CONCLUDED):

Private Purpose Trust Funds (Concluded)

2. Special Education Settlement Trust Fund functions as a trust account to hold the funds transferred from the General Fund and to make payments for the special ed settlement. The trust fund will remain in operation until the final payment is made in 2019-2020.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. Agency funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District maintains three agency funds, one for each Student Body account.

E. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Board of Trustees and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund and the Cafeteria Fund as required supplementary information in the financial statements.

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

F. Encumbrances

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

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Estimates

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

H. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation.

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

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

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the District's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

2. Stores Inventory and Prepaid Expenditures

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by nonspendable fund balance, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's cafeteria inventory valuation is First-in-First-out (FIFO).

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

2. Stores Inventory and Prepaid Expenditures (Concluded)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures in the period expensed.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5 to 50 years depending on the asset class.

4. Deferred Outflows/Inflows of Resources

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

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

5. Unearned Revenue

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

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

6. Compensated Absences

All vacation pay is accrued and paid when incurred in the government-wide financial statements. No liability for these amounts is reported in the governmental funds as no carryover of unused vacation occurs.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires. At retirement, each classified member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

8. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets " or "restricted net position".

9. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

10. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned, based primarily on the extent to which the District is bound to honor constraints on how specific amounts are to be spent.

Nonspendable Fund Balance - Includes the portions of fund balance not appropriable for expenditures.

Restricted Fund Balance - Includes amounts subject to externally imposed and legally enforceable constraints.

Committed Fund Balance - Includes amounts subject to District constraints self-imposed by formal action of the District Governing Board.

Assigned Fund Balance - Includes amounts the District intends to use for a specific purpose. Assignments may be established by the District Governing Board, or the Chief Business Official/Superintendent of the District.

Unassigned Fund Balance - Includes the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned to specific purposes.

Fund Balances

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

	General Fund	Cafeteria Fund	Bond Interest and Redemption Fund	Total
Nonspendable:				
Revolving Fund	\$ 3,000			\$ 3,000
Stores Inventory		\$ 8,761		8,761
Total Nonspendable Fund Balance	<u>3,000</u>	<u>8,761</u>		<u>11,761</u>
Restricted For:				
Legally Restricted Categorical Funding	379,338			379,338
Debt Service			\$ 1,008,870	1,008,870
Food Service Program		50,304		50,304
Total Restricted Fund Balance	<u>379,338</u>	<u>50,304</u>	<u>1,008,870</u>	<u>1,438,512</u>
Assigned For:				
Other Postemployment Benefits	111,817			111,817
Program Carryover	147,109			147,109
District House Repairs	15,672			15,672
Future Facilities Maintenance/Repairs	425,965			425,965
Total Assigned Fund Balance	<u>700,563</u>	<u>0</u>	<u>0</u>	<u>700,563</u>
Unassigned:				
Reserve for Economic Uncertainties	522,055			522,055
Other Unassigned	3,606,987			3,606,987
Total Unassigned Fund Balance	<u>4,129,042</u>	<u>0</u>	<u>0</u>	<u>4,129,042</u>
Total Fund Balances	<u>\$ 5,211,943</u>	<u>\$ 59,065</u>	<u>\$ 1,008,870</u>	<u>\$ 6,279,878</u>

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

10. Fund Equity (Concluded)

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

The District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 4% of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, consistent with the recommended level promulgated by the State of California.

Additional detailed information, along with the complete *Fund Balance Policy* can be obtained from the District.

11. Local Control Funding Formula/Property Tax

The District's local control funding formula revenue is received from a combination of local property taxes, state apportionments, and other local sources.

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

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

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Concluded)

11. Local Control Funding Formula/Property Tax (Concluded)

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula sources by the District.

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Local Control Funding Formula Revenue is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

I. Impact of Recently Issued Accounting Principles

The GASB issued Statement 68, *Accounting and Financial Reporting for Pensions* in June 2012 to amend Statements 27 and 50 and improve accounting and financial reporting by state and local governments for pensions. The Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 69, *Government Combinations and Disposals of Government Operations* in January 2013 to provide guidance for reporting mergers, acquisitions, transfers of operations, and disposals of government operations. The District does not have activities affected by the Standard and therefore the adoption of GASB 69 does not impact the District's financial statements. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* which amends Statement 68 by requiring that, at transition, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 72, *Fair Value Measurement and Application* in February 2015 to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using consistent and accepted valuation techniques. The Statement is effective beginning in fiscal year 2015-2016.

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Impact of Recently Issued Accounting Principles (Continued)

The GASB issued Statement 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* in June 2015. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* in June 2015. The Statement will require enhanced note disclosures and schedules of required supplementary information that will be presented for other post-employment benefit plans (OPEB) to enhance the decision-usefulness of the financial reports of those OPEB plans. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015. The requirements of this Statement will improve the decision-usefulness of financial information and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The Statement is effective beginning in fiscal year 2017-2018.

The GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* superseding Statement No. 55 in June 2015. The GAAP hierarchy consists of the sources of accounting principles used to prepare financial statements in conformity with GAAP and the framework for selecting those principles. As a result of implementing this Standard, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 77, *Tax Abatement Disclosures* in August 2015. The Statement requires disclosure of tax abatement information to make these transactions more transparent to financial statement users. Users will be better equipped to understand how tax abatements affect a government's future ability to raise resources and the impact those abatements have on a government's financial position and economic condition. The Statement is effective beginning in fiscal year 2016-2017.

SHORELINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Impact of Recently Issued Accounting Principles (Concluded)

The Office of Management and Budget issued the guidance *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance for Federal Awards) on December 29, 2013 which supersedes and streamlines requirements from eight different circulars into one document. The new administrative requirements and cost principles are required to be implemented for all federal awards made after December 26, 2014. The Uniform Guidance for Federal Awards will not affect the District until fiscal year 2015-2016 as all 2014-2015 federal awards occurred prior to December 26, 2014.

NOTE 2 - CASH

A. Summary of Cash

The following is a summary of cash at June 30, 2015:

<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
<u>\$6,451,291</u>	<u>\$195,230</u>	<u>\$6,646,521</u>

The District had the following cash at June 30, 2015:

	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Credit Quality Rating</u>
Cash in Commercial Banks	\$ 73,390	\$ 73,390	Not Rated
Cash in Revolving Fund	3,000	3,000	Not Rated
Cash in County Treasury	6,571,550	6,570,131	Not Rated
Total	<u>\$ 6,647,940</u>	<u>\$ 6,646,521</u>	

B. Policies and Practices

The District is authorized by State statutes and in accordance with the District's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - CASH (CONTINUED)

B. Policies and Practices (Concluded)

The Policy, in addition to State statues, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The District's investments comply with the established policy.

Cash in Commercial Banks

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation. These amounts are held within various financial institutions. As of June 30, 2015 the carrying amount of the District's accounts was \$76,390, all of which was insured.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the County Treasury as an involuntary participant of a common investment pool, which totaled \$823,514,725. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$823,692,629. Interest is deposited into participating funds. The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

C. Risk Disclosures

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures.

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

SHORELINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - CASH (CONCLUDED)

C. Risk Disclosures (Concluded)

At June 30, 2015 the District had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 4</u>	<u>More than 4</u>
County Treasury	<u>\$ 6,571,550</u>	<u>\$ 5,777,707</u>	<u>\$ 792,529</u>	<u>\$ 1,314</u>

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only 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 ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

Foreign Currency Risk - This is the risk that exchange rate will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

SHORELINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consist of the following:

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Total</u>
Federal Government			
Categorical Aid Programs	\$ 117,033	\$ 24,626	\$ 141,659
State Government			
Local Control Funding Formula	59,679		59,679
Categorical Aid Programs	2,054	2,146	4,200
Lottery	41,535		41,535
Other	2,700		2,700
Total State Government	105,968	2,146	108,114
Local Government	61,262		61,262
Miscellaneous	521		521
Total Accounts Receivable	<u>\$ 284,784</u>	<u>\$ 26,772</u>	<u>\$ 311,556</u>

NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transactions among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables and Payables

Individual fund interfund receivables and payables balances at June 30, 2015 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General Fund	\$ 300	
Fiduciary Funds:		
Scholarship Fund		\$ 300
Total	<u>\$ 300</u>	<u>\$ 300</u>

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - INTERFUND TRANSACTIONS (CONCLUDED)Interfund Transfers

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

Interfund transfers for the 2014-2015 fiscal year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund		\$ 274,000
Cafeteria Fund	\$ 250,000	
Subtotal Governmental Funds	250,000	274,000
Fiduciary Funds:		
Scholarship Fund	24,000	
Total	<u>\$ 274,000</u>	<u>\$ 274,000</u>

Transfer of \$250,000 from the General Fund to the Cafeteria Fund to supplement program revenues to provide positive cash flow.

Transfer of \$24,000 from the General Fund to the Trust Fund to cover legal settlement.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

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

	Balance <u>July 01, 2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 829,201			\$ 829,201
Total capital assets, not being depreciated	<u>829,201</u>			<u>829,201</u>
Capital assets being depreciated:				
Buildings	31,120,103			31,120,103
Improvements of sites	3,372,932			3,372,932
Equipment	2,390,663	\$ 44,700	\$ 311,724	2,123,639
Total capital assets, being depreciated	<u>36,883,698</u>	<u>44,700</u>	<u>311,724</u>	<u>36,616,674</u>
Less accumulated depreciation for:				
Buildings	15,690,717	889,194		16,579,911
Improvements of sites	3,197,581	18,996		3,216,577
Equipment	1,721,246	108,093	302,364	1,526,975
Total accumulated depreciation	<u>20,609,544</u>	<u>1,016,283</u>	<u>302,364</u>	<u>21,323,463</u>
Total capital assets, being depreciated, net	<u>16,274,154</u>	<u>(971,583)</u>	<u>9,360</u>	<u>15,293,211</u>
Total governmental activities capital assets, net	<u>\$ 17,103,355</u>	<u>\$ (971,583)</u>	<u>\$ 9,360</u>	<u>\$ 16,122,412</u>

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Unallocated	\$ <u>1,016,283</u>
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NOTE 6- GENERAL OBLIGATION BONDS

In September 2011 refunding bonds in the amount of \$5,270,000 were issued to defease the 2001 and 2002 series bond issues. The bonds bear interest rates of 2.5% to 3.64% with maturity dates of August 1, 2012 through August 1, 2026.

The District has defeased various general obligation bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the advance refunding met the requirements of an in-substance debt defeasance and therefore the deferred debt was removed as a liability from the District's government-wide financial statements.

The outstanding general obligation bonded debt of the Shoreline Unified School District as of June 30, 2015 is:

Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2014	Redeemed Current Year	Outstanding June 30, 2015
2010	3.0-5.0	2036	\$ 9,290,000	\$ 8,660,000	\$ 260,000	\$ 8,400,000
2011	2.5-3.64	2027	<u>5,270,000</u>	<u>4,740,000</u>	<u>305,000</u>	<u>4,435,000</u>
Totals			<u>\$ 14,560,000</u>	<u>\$ 13,400,000</u>	<u>\$ 565,000</u>	<u>\$ 12,835,000</u>

The annual requirement to amortize general obligation bonds payable, outstanding as of June 30, 2015, are as follows:

Year Ended June 30	Principal	Interest	Total
2016	\$ 590,000	\$ 497,328	\$ 1,087,328
2017	615,000	476,853	1,091,853
2018	635,000	458,402	1,093,402
2019	650,000	437,577	1,087,577
2020	665,000	415,353	1,080,353
2021-2025	3,710,000	1,720,983	5,430,983
2026-2030	2,770,000	1,028,366	3,798,366
2031-2035	2,605,000	463,078	3,068,078
2036	<u>595,000</u>	<u>14,280</u>	<u>609,280</u>
Totals	<u>\$ 12,835,000</u>	<u>\$ 5,512,220</u>	<u>\$ 18,347,220</u>

SHORELINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7 - CAPITAL LEASE OBLIGATIONS

The District leases two buses under an agreement which provides for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Year Ended June 30	Lease Payment
2016	\$ 17,101
2017	17,101
	34,202
Total payments	34,202
Less amounts representing interest	(1,262)
Present value of net minimum lease payments	\$ 32,940

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

NOTE 8 - EARLY RETIREMENT INCENTIVE PROGRAMS

In addition to the benefits described in Note 11 and Note 12, the District has offered incentives for employees to retire:

A. State Teachers Retirement System (STRS) Golden Handshake

The District has adopted an early retirement incentive program, pursuant to Education Code Sections 22714, 22714.5, 44929, 44929.1, 87488 and 87488.1, whereby the service credit to eligible employees is increased by two years. Eligible employees must be age 55 with at least five (10) years of service under State Teachers' Retirement System (STRS).

The District has determined that the formal action taken would result in a net savings to the District.

The District has also demonstrated and certified such results to the County Office of Education, as required pursuant to Education Code Section 22714, 22714.5 and 44929. The District's certification reconciles to the information confirmed in the audit.

SHORELINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - EARLY RETIREMENT INCENTIVE PROGRAMS (CONTINUED)

A. State Teachers Retirement System (STRS) Golden Handshake (Concluded)

Retiree Information

Five employees retired in exchange for the additional two years of service credit during fiscal year 2014-2015:

<u>Position</u>		<u>Service</u>	<u>Retired Employee</u>	
<u>Vacated</u>	<u>Age</u>	<u>Credit</u>	<u>Salary</u>	<u>Benefits</u>
Teacher	64	18	\$75,333	\$35,158
Teacher	65	18	71,543	19,595
Teacher	59	22	95,166	38,187
Teacher	65	26	88,167	22,133
Teacher	61	20	<u>94,166</u>	<u>23,212</u>
Total			<u>\$424,375</u>	<u>\$138,285</u>

Additional Costs

As a result of this early retirement incentive program, the District expects to incur \$286,387 in additional costs. The breakdown in additional costs is presented below:

Retirement costs	\$263,344
STRS Administrative costs	<u>1,450</u>
Total additional costs	<u>\$264,794</u>

The District has elected to pay this cost in a single payment and will report the expense in the General Fund at June 30, 2016.

Financial Impact

The early retirement incentive program is expected to generate \$286,387 in additional costs and payroll savings of \$455,686.

SHORELINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - EARLY RETIREMENT INCENTIVE PROGRAMS (CONCLUDED)

B. Cash Incentives

The District offered qualified classified employees a cash incentive to retire in 2014-2015. The incentive is based on the employee's length of service with the District and will be paid in a lump sum on or about January 31, 2016. The offer was accepted by six (6) classified employees at a total cost to the District of \$70,857.

C. Future Payment for Early Retirement Incentive Programs

Future estimated payments to meet the above obligations are as follows:

Year Ended June 30	STRS Golden Hand Shake	Cash Incentives	Totals
2016	\$ 263,344	\$ 70,857	\$ 334,201

NOTE 9 - OTHER LONG-TERM DEBT

In addition to the commitments and contingencies described in Note 14, the District settled a lawsuit with a family of a District student for \$440 thousand. The settlement will be paid over ten (10) years beginning in fiscal year 2010-2011 and maturing in the fiscal year 2019-2020. The amount payable is non-interest bearing and the amortization of the remaining liability is as follows:

Year Ended June 30	Principal
2016	\$ 24,000
2017	24,000
2018	10,667
2019	10,667
2020	10,666
Total	\$ 80,000

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - LONG-TERM DEBT

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
General Obligation Bonds	\$ 13,400,000		\$ 565,000	\$ 12,835,000	\$ 590,000
Capital Lease Obligations	63,049		30,109	32,940	16,263
Early Retirement Incentives	32,072	\$ 334,201	32,072	334,201	334,201
Other Long-Term Debt	104,000		24,000	80,000	24,000
Totals	<u>\$ 13,599,121</u>	<u>\$ 334,201</u>	<u>\$ 651,181</u>	<u>\$ 13,282,141</u>	<u>\$ 964,464</u>

General Obligation Bond payments will be made from the Bond Interest and Redemption Fund with local property taxes. The Capital Lease Obligations, Early Retirement Incentives, and Other Long-Term Debt will be paid from the General Fund.

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS

The Shoreline Unified School District accounts for postemployment benefits under GASB Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pension. This accounting requires the District to report its liability for other postemployment benefits (OPEB) consistent with newly established generally accepted accounting principles by reflecting an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

Plan Description

The District provides retiree health benefits based on age and service. Following is a description of the current retiree benefit plan. Two (2) retirees are entitled to benefits under prior grandfathered plans.

Benefits types provided	Medical, Vision, Dental
Duration of Benefits	To age 65
Required Service	12 years*
Minimum Age	55
Dependent coverage	No
District Contribution %	100%
District Cap:	
Medical	Kaiser High Plan Option
Vision	None
Dental	None

* 5 years if hired before July 1, 2007.

SHORELINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy

Employees are not required to contribute to the plan. In order to fully fund the plan, the District would be required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's policy is to pay the benefits as a cash outlay after retirement (the pay-as-you-go method). However, at June 30, 2015, the District assigned \$111,817 in the General Fund for the payment of future postemployment benefits.

Annual OPEB Cost

For fiscal year ended June 30, 2015, the District's annual OPEB cost (expense) was \$272,592. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$272,592	40%	\$922,354
2014	\$276,328	24%	\$759,443
2013	\$241,321	27%	\$549,920

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

Annual required contribution	\$286,133
Interest on OPEB obligation	30,378
Adjustment to annual required contribution	<u>(43,919)</u>
Annual OPEB cost (expense)	272,592
Payments made	<u>(109,681)</u>
Increase in net OPEB obligation	162,911
Net OPEB obligation-beginning of year	<u>759,443</u>
Net OPEB obligation-end of year	<u>\$922,354</u>

SHORELINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (CONCLUDED)

Funding Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$2,013,410, all of which is unfunded.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The funded status of the plan as of July 1, 2014 was as follows:

Actuarial accrued liability (AAL)	\$2,013,470
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	<u>\$2,013,470</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013, actuarial valuation, the “projected unit credit” actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return, an annual healthcare cost trend rate of 8% per year, and an assumed payroll increase rate of 3.00%. The UAAL is being amortized using the level percentage of projected payroll method using a 30 year open amortization period.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Pension Plan Fiduciary Net Position. The plans fiduciary net positions disclosed in this report may differ from the plan assets reported in the funding actuarial valuations reported due to several reasons. First, for the accounting valuations, items such as deficiency reserves, fiduciary self-insurance and OPEB expense are included in fiduciary net positions. These amounts are excluded for rate setting purposes in the funding actuarial valuations. In addition, differences may result from early closing and final reconciled reserves.

A. State Teachers' Retirement System (STRS)

Plan Description. The Shoreline Unified School District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The State of California is a Nonemployer Contributing Entity to STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. Although CalSTRS is the administrator of the STRS, the state is the sponsor of the STRS and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRS. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95610.

Benefit. STRS provides defined benefit program benefits under two formulas: 2% at 60 for members hired on or before December 31, 2012 and 2% at 62 for members hired after that date. Both formulas define hire as the date at which the member was hired to perform service that could be creditable to CalSTRS. The benefit under each formula is calculated as 2% per year of creditable service. The 2% at 60 formula uses final compensation to calculate the benefit. The 2% at 62 formula uses an average of the highest compensation for three consecutive years to calculate the benefit.

Funding Policy. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. Active plan members are required to contribute 8.15% of their salary and the Shoreline Unified School District and the State are required to contribute actuarially determined rates. The actuarial methods and assumptions used for determining the rates are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25% and for fiscal year 2014-2015 8.88% of annual payroll. The required State contribution rate for fiscal year 2014-2015 was 5.68%. The Shoreline Unified School District's contributions to STRS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$433,896, \$402,337, and \$368,194, respectively, and equal 100% of the required contributions for each year.

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015 the District reported a liability of \$6,428,070 or its proportionate share of the net pension liability for STRS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on a projection of the District's and the State of California's (non-employer contributing entity) 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, 2014, the District's proportion of contributions was 0.0110 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$685,026 which included the State's required on-behalf contribution. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	-	-
Changes in Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	\$ 1,582,900
Changes in proportion and differences between District contributions and proportionate share of contributions	-	(217)
District contributions subsequent to measurement date of June 30, 2014	\$ 433,986	-
Totals	\$ 433,986	\$ 1,582,683

Actuarial Assumptions. The total pension liability for STRS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Continued)

Actuarial Assumptions (Concluded). The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment rate of return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 (Pension Consulting Alliance-PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on Board policy for target asset allocation in effect 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:

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

* 10-year geometric average

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Concluded)

Discount Rate. The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed 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 percent) and assuming the contributions, benefit payments, and administrative expense occurred midyear. Based on those assumptions, the STRS'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 payment to determine the total pension liability.

Presented below is the District's proportionate share of the net pension liability of employers and the state using the current discount rate of 7.60 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one to three percent lower or one to three percent higher than the current rate:

Discount Rate	Net Pension Liability of Employers
3% Decrease (4.60%)	\$ 19,637,750
2% Decrease (5.60%)	14,363,030
1% Decrease (6.60%)	10,019,680
Current Discount Rate (7.60%)	6,428,070
1% Increase (8.60%)	3,433,320
2% Increase (9.60%)	916,960
3% Increase (10.60%)	(1,205,490)

B. California Public Employees Retirement System (CalPERS)

Plan Description. The Shoreline Unified School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by 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. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Room 1820, Sacramento, CA 95814.

Funding Policy. Active plan members were required to contribute 6.974% of their salary and the Shoreline Unified School District was required to contribute an actuarially annually determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Funding Policy (Concluded). The required employer contribution rate for fiscal 2013-2014 was 11.442% and for fiscal year 2014-2015 11.771% of annual payroll. The contribution requirements of the plan members are established by State statute. The Shoreline Unified School District's employer contributions to CalPERS for the fiscal year ending June 30, 2015, 2014 and 2013 were \$250,769, \$258,598 and \$214,317, respectively and equal 100% of the required contributions for each year.

Benefits. CalPERS provides defined benefit program benefits based on members' years of service, age, final compensation and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a liability of \$2,384,011 for its proportionate share of the net pension liability for CalPERS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013. 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, 2014, the District's proportion of contributions was 0.0210 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$250,769. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	-	-
Changes in Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	\$ 819,173
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to measurement date of June 30, 2014	<u>\$ 250,769</u>	<u>-</u>
Totals	<u><u>\$ 250,769</u></u>	<u><u>\$ 819,173</u></u>

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Actuarial Assumptions. For the year ended June 30, 2014, the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

CalPERS uses a mortality table based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool.

The following presents the net pension liability of the Plan as of June 30, 2014, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

<u>Discount Rate</u>	<u>Plan's Net Pension Liability</u>
1% Decrease (6.50%)	\$ 4,170,418
Current Discount Rate (7.50%)	2,371,950
1% Increase (8.50%)	869,145

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.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

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

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

<u>New Strategic Asset Class</u>	<u>Real Return Allocation</u>	<u>Real Return Years 1-10¹</u>	<u>Years 11+²</u>
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Cash/Liquidity	2%	(0.55)%	(1.05)%

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security.

D. On Behalf Payment

The District was recipients of on-behalf payments made by the State of California to the State Teachers Retirement System (STRS). These payments consist of State general fund contributions of \$251,130 to STRS (5.68% of salaries subject to STRS).

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2015, the District contracted with Redwood Empire Schools Insurance Group (RESIG) for property and liability insurance coverage and RESIG for theft insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant change in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2015, the District participated in the Redwood Empire Schools Insurance Group (RESIG), an insurance purchasing pool. The intent of the RESIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the RESIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the RESIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the RESIG. Participation in the RESIG is limited to districts that can meet the RESIG selection criteria.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The District may be involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

B. State and Federal Allowances, Awards and Grants

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

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

C. Joint Ventures

The District participates in a joint venture under a joint power agreement (JPA) with Redwood Empire Schools Insurance Group (RESIG). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

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

NOTE 15 - STUDENT BODY FUNDS

The Student Body often engage in activities which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

NOTE 16 - RESTATEMENT OF NET POSITION

The amounts previously reported as Governmental Activities Net Position at June 30, 2014 on the Government-Wide Statement of Net Position have been restated due to implementing Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The June 30, 2014, Net Position is being restated to recognize the net effect resulting from recognition of Deferred Outflows of Pension costs and related pension liability as follows:

	Government-Wide Financial Statements
Net Position, June 30, 2014 as originally reported	\$ 9,472,895
Retroactive recognition of the District's share of unfunded pension liabilities for STRS and PERS	<u>(10,441,184)</u>
Net Position, June 30, 2014 as restated	<u>\$ (968,289)</u>

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 17 - SUBSEQUENT EVENT

Management has evaluated subsequent events through November 25, 2015, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SHORELINE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local Control Funding				
Formula Sources:				
State Apportionments	\$ 986,785	\$ 1,022,841	\$ 976,485	\$ (46,356)
Local Sources	6,857,659	7,113,026	7,192,252	79,226
Total Local Control Funding				
Formula Sources	7,844,444	8,135,867	8,168,737	32,870
Federal Revenue	1,952,825	1,956,528	2,035,029	78,501
Other State Revenue	196,075	235,241	420,207	184,966
Other Local Revenue	1,448,854	1,364,626	1,677,330	312,704
Total Revenues	11,442,198	11,692,262	12,301,303	609,041
EXPENDITURES				
Certificated Salaries	5,017,588	4,906,208	4,922,875	(16,667)
Classified Salaries	2,322,393	2,309,666	2,247,069	62,597
Employee Benefits	3,135,002	2,976,750	3,125,104	(148,354)
Books and Supplies	562,070	1,227,892	788,983	438,909
Services and Other				
Operating Expenditures	1,432,977	1,716,565	1,561,132	155,433
Capital Outlay	5,000	5,000	44,701	(39,701)
Debt Service:				
Principal Retirement			30,109	(30,109)
Interest and Fiscal Charges			1,806	(1,806)
Other Outgo	165,564	165,564	97,905	67,659
Total Expenditures	12,640,594	13,307,645	12,819,684	487,961
Excess of Revenues				
Over (Under) Expenditures	(1,198,396)	(1,615,383)	(518,381)	1,097,002
Other Financing Sources (Uses):				
Operating Transfers In		197,491		(197,491)
Operating Transfers Out	(274,000)	(274,000)	(274,000)	
Total Other Financing				
Sources (Uses)	(274,000)	(76,509)	(274,000)	(197,491)
Excess of Revenues and				
Other Sources Over (Under)				
Expenditures and Other Uses	(1,472,396)	(1,691,892)	(792,381)	899,511
Fund Balances - July 1, 2014	1,000,412	6,004,324	6,004,324	0
Fund Balances - June 30, 2015	\$ (471,984)	\$ 4,312,432	\$ 5,211,943	\$ 899,511

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
CAFETERIA FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Federal Revenue	\$ 150,000	\$ 165,000	\$ 182,302	\$ 17,302
Other State Revenue	14,000	14,500	16,398	1,898
Other Local Revenue	25,000	30,000	30,359	359
Total Revenues	189,000	209,500	229,059	19,559
EXPENDITURES				
Classified Salaries	151,583	155,742	158,565	(2,823)
Employee Benefits	91,402	90,940	89,270	1,670
Books and Supplies	182,500	187,500	197,486	(9,986)
Services and Other Operating Expenditures	11,200	13,000	12,305	695
Total Expenditures	436,685	447,182	457,626	(10,444)
Excess of Revenues Over (Under) Expenditures	(247,685)	(237,682)	(228,567)	9,115
Other Financing Sources: Operating Transfers In	250,000	250,000	250,000	0
Excess of Revenues and Other Sources Over Expenditures	2,315	12,318	21,433	9,115
Fund Balances - July 1, 2014	9,089	37,632	37,632	0
Fund Balances - June 30, 2015	<u>\$ 11,404</u>	<u>\$ 49,950</u>	<u>\$ 59,065</u>	<u>\$ 9,115</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress							
Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/13	July 1, 2010	\$ -	\$ 1,798,111	\$ 1,798,111	0%	\$ 6,238,347	28.8%
6/30/14	July 1, 2013	\$ -	\$ 2,013,470	\$ 2,013,470	0%	\$ 6,425,497	31.3%
6/30/15	July 1, 2013	\$ -	\$ 2,013,470	\$ 2,013,470	0%	\$ 6,618,262	30.4%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
 SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

California State Teachers' Retirement System (CalSTRS)

	2015
District's proportion of the net pension liability	0.0110%
District's proportionate share of the net pension liability	\$ 6,428,070
District's covered-employee payroll	\$ 4,876,812
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	132%
Plan fiduciary net position as a percentage of the total pension liability	77%

Public Employee Retirement System (CalPERS)

District's proportion of the net pension liability	0.0210%
District's proportionate share of the net pension liability	\$ 2,384,011
District's covered-employee payroll	\$ 2,260,080
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	105%
Plan fiduciary net position as a percentage of the total pension liability	83%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT
SCHEDULES OF DISTRICT CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

California State Teachers' Retirement System (CalSTRS)

	2015
Contractually required contribution	\$ 402,337
Contributions in relation to the contractually required contribution	402,337
Contribution deficiency (excess)	\$ 0
District's covered-employee payroll	\$ 4,876,812
Contributions as a percentage of covered-employee payroll	8.250%

Public Employee Retirement System (CalPERS)

Contractually required contribution	\$ 258,598
Contributions in relation to the contractually required contribution	258,598
Contribution deficiency (excess)	\$ 0
District's covered-employee payroll	\$ 2,260,080
Contributions as a percentage of covered-employee payroll	11.442%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

A. Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

The excess of expenditures over appropriations in individual governmental funds at June 30, 2015 are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
Major Governmental Funds:	
General Fund	
Certificated Salaries	\$ 16,667
Employee Benefits	148,354
Capital Outlay	39,701
Debt Service-Principal Retirement	30,109
Debt Service-Interest	1,806
Cafeteria Fund	
Classified Salaries	2,823
Food and Supplies	9,986

The District incurred unanticipated expenditures for which the budget was not revised.

The District did not revise the budget for the STRS pension expense covered by State of California direct payments.

The Governing Board does not adopt a budget for the Bond Interest and Redemption Fund because it is accounted for by Marin County.

B. Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

SHORELINE UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONCLUDED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES (CONCLUDED)

C. Schedules of District's Proportionate Share of the Net Pension Liability

These schedules present information on the District's portion of the Net Pension Liability of CalSTRS and the Net Pension Liability of CalPERS in compliance with GASB 68.

These will be 10-year schedules. However, this is the first year of implementation of GASB 68 and the information in these schedules is not required to be presented retroactively. Years will be added to these schedules in future fiscal years until 10 years of information is available.

D. Schedules of District Contributions

These schedules provide information about the District's required and actual contributions to CalSTRS and CalPERS during the year.

These will be 10-year schedules. However, this is the first year of implementation of GASB 68 and the information in these schedules is not required to be presented retroactively. Years will be added to these schedules in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION SECTION

SHORELINE UNIFIED SCHOOL DISTRICT

TOMALES, CALIFORNIA

JUNE 30, 2015

ORGANIZATION

The Shoreline Unified School District was established in 1968. The District office is in Tomales, California. There was no change in District boundaries during the year. The District operates four elementary schools and one high school.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Jill Manning Sartori	President	December, 2015
Kegan Stedwell	Vice President	December, 2015
Clarette McDonald	Clerk	December, 2015
Monique Moretti	Trustee	December, 2015
Jane Healy	Trustee	December, 2017
Tim Kehoe	Trustee	December, 2017
Jim Lino	Trustee	December, 2017

ADMINISTRATION

Tom Stubbs
Superintendent

Bruce Abbott
Chief Business Official

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

	Second Period Report	Annual Report
Regular ADA		
Transitional Kindergarten through Third	138	138
Fourth through Sixth	113	114
Seventh and Eighth	78	78
Ninth through Twelfth	158	156
ADA Totals	487	486

Average daily attendance is a measurement of the numbers 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 the school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

SHORELINE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Grade Level	Minutes Requirement	Minutes Requirement As Reduced	2014-2015 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	37,995	180	In Compliance
Grade 1	50,400	49,000	50,900	180	In Compliance
Grade 2	50,400	49,000	54,500	180	In Compliance
Grade 3	50,400	49,000	54,500	180	In Compliance
Grade 4	54,000	52,500	55,975	180	In Compliance
Grade 5	54,000	52,500	55,975	180	In Compliance
Grade 6	54,000	52,500	57,571	180	In Compliance
Grade 7	54,000	52,500	57,571	180	In Compliance
Grade 8	54,000	52,500	57,571	180	In Compliance
Grade 9	64,800	63,000	64,748	180	In Compliance
Grade 10	64,800	63,000	64,748	180	In Compliance
Grade 11	64,800	63,000	64,748	180	In Compliance
Grade 12	64,800	63,000	64,748	180	In Compliance

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has not met its local control funding formula target.

Districts that participate in Longer Day Incentive Funding or that met or exceed their local control funding formula target, must provide at least the number of instructional minutes specified in Education Code Section 46201(b) or 46207(a), shown as the minutes requirement above.

For the 2014-2015 school year, a school district may reduce up to five days of instruction or equivalent number of minutes without incurring penalties pursuant to Education Code Sections 46201.2(b) and 46207(c).

SHORELINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit. There were no charter schools in the Shoreline Unified School District.

SEE NOTES TO SUPPLEMENTARY INFORMATION

SHORELINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Program Name:	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Passed through the California Department of Education (CDE):			
Child Nutrition Cluster:			
National School Lunch (Sec 4 and Sec 11)	10.555	13523/13524	\$ 127,242
School Breakfast Basic	10.553	13525	55,060
Subtotal Child Nutrition Cluster			<u>182,302</u>
Total U.S. Department of Agriculture			<u>182,302</u>
US. Department of Education:			
Impact Aid (Title VIII of ESEA)	84.041 *	10015	<u>1,738,074</u>
Passed through CDE:			
IDEA, Basic Local Assistance, Part B, Section 611	84.027*	13379	138,045
NCLB: Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	34,279
NCLB: Title II, Part A, Teacher Quality	84.367	14341	23,516
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.365	14346	17,070
NCLB: Title IV, Part B - Rural and Low Income School Program (REAP)	84.358B	14356	34,954
Vocational Programs - Adult Sec 131 (Carl Perkins Act)	84.048	14894	<u>49,091</u>
Total U.S. Department of Education			<u>2,035,029</u>
Total Federal Programs			<u>\$ 2,217,331</u>

* Denotes a Major Program

** Does not include the fair value of commodities received, which totaled \$7,387.

SEE NOTES TO SUPPLEMENTARY INFORMATION

SHORELINE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Postemployment Benefits
June 30, 2015, Annual Unaudited Actual Financial Report Fund Balance	\$ 4,832,091	\$ 425,965	\$ 111,817
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance:			
Over-accrual of Sonoma County Property Taxes	(157,930)		
To conform with GAAP, activity reported separately by the District in certain Special Revenue Funds is reported in the General Fund in these financial statements.	537,782	(425,965)	(111,817)
Net Adjustments and Reclassifications	379,852	(425,965)	(111,817)
June 30, 2015, Audited Financial Statement Fund Balance	\$ 5,211,943	\$ 0	\$ 0

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Unaudited Actual Financial Report for the year ended June 30, 2015.

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

	Budget			
	2015-2016	2014-2015	2013-2014	2012-2013
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 12,668,908	\$ 12,301,303	\$ 12,138,820	\$ 13,573,844
Expenditures	12,338,257	12,819,684	12,771,768	11,343,283
Other Uses and Transfers Out	245,000	274,000	282,000	238,000
Total Outgo	12,583,257	13,093,684	13,053,768	11,581,283
Change in Fund Balance (Deficit)	85,651	(792,381)	(914,948)	1,992,561
Ending Fund Balance	\$ 4,398,084	\$ 5,211,943	\$ 6,004,324	\$ 6,919,272
Available Reserves	\$ 3,802,924	\$ 4,129,042	\$ 4,848,340	\$ 5,688,585
Reserve for Economic Uncertainties	\$ 503,330	\$ 522,055	\$ 512,574	\$ 467,212
Unassigned Fund Balance	\$ 3,299,594	\$ 3,606,987	\$ 4,335,766	\$ 5,221,373
Available Reserves as a Percentage of Total Outgo	30.2%	31.5%	37.1%	49.1%
Total Long-Term Debt	\$ 12,317,677	\$ 13,282,141	\$ 13,599,121	\$ 14,240,403
Average Daily Attendance at P-2	479	487	481	519

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

The District's General Fund balance has increased \$285,232 during the past three years. For a district this size, the state recommends available reserves of at least 4% of total general fund expenditures, other uses and transfers out (total outgo). Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund. General Fund Balance is expected to increase \$85,651 in 2015-2016. The District's ADA decreased by 32 during the past two years. Total long-term debt has decreased \$958,262 during the past two years.

The amounts reported as budget 2015-2016 are presented for additional analysis and have not been audited.

SHORELINE UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS - STUDENT BODY
 JUNE 30, 2015

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
<u>WEST MARIN SCHOOL</u>				
ASSETS				
Cash	\$ 20,089	\$ 46,911	\$ 45,765	\$ 21,235
LIABILITIES				
Due to Student Groups	\$ 20,089	\$ 46,911	\$ 45,765	\$ 21,235
<u>TOMALES ELEMENTARY SCHOOL</u>				
ASSETS				
Cash	\$ 12,928	\$ 16,215	\$ 17,567	\$ 11,576
LIABILITIES				
Due to Student Groups	\$ 12,928	\$ 16,215	\$ 17,567	\$ 11,576
<u>TOMALES HIGH SCHOOL</u>				
ASSETS				
Cash	\$ 42,461	\$ 80,697	\$ 82,579	\$ 40,579
LIABILITIES				
Due to Student Groups	\$ 42,461	\$ 80,697	\$ 82,579	\$ 40,579
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Cash	\$ 75,478	\$ 143,823	\$ 145,911	\$ 73,390
LIABILITIES				
Due to Student Groups	\$ 75,478	\$ 143,823	\$ 145,911	\$ 73,390

SEE NOTES TO SUPPLEMENTARY INFORMATION

SHORELINE UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

This schedule presents information on the amount of instructional time and number of days offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46208. The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day, and has not met its local control funding formula target.

C. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

D. Schedule of Expenditures of Federal Awards

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

E. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Unaudited Actual Financial Report to the audited financial statements.

F. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District.

G. Combining Statement of Changes in Assets and Liabilities - Agency Funds

Combining statements are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. This statement presents more detailed information about the financial activities of the District's agency funds.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

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
Shoreline Unified School District
Tomales, 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 Shoreline Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Shoreline Unified School District's basic financial statements and have issued our report thereon dated November 25, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, 2015-003 and 2015-004 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Shoreline Unified School District's Responses to Findings

Shoreline Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Shoreline Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

November 25, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Shoreline Unified School District
Tomales, California

Report on Compliance for Each Major Federal Program

We have audited Shoreline Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Shoreline Unified School District's major federal programs for the year ended June 30, 2015. Shoreline Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Shoreline Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shoreline Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Shoreline Unified School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Shoreline Unified School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Shoreline Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shoreline Unified School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

November 25, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
Shoreline Unified School District
Tombales, California

We have audited Shoreline Unified School District's compliance with the types of compliance requirements described in the 2014-2015 *Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of Shoreline Unified School District's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with State laws and regulations of Shoreline Unified School District's State government programs 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 2014-2015 *Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the applicable State laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Shoreline Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of Shoreline Unified School District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Mis-assignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see next page)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Yes
GANN Limit Calculation	Yes
School Accountability Report Card	Yes

<u>Description</u>	<u>Procedures Performed</u>
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Not Applicable
Adult Education Maintenance of Effort	Not Applicable
School Districts, County Office of Education and Charter Schools:	
California Clean Energy Jobs Act	No (see below)
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Non Classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Procedures were not performed for Independent Study attendance because the average daily attendance generated by the program was below the level required for testing.

Procedures were not performed for California Clean Energy Jobs Act because the District is in the preliminary phase and has not yet incurred expenses.

Opinion on Each State Government Program

In our opinion, Shoreline Unified School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its State government programs for the year ended June 30, 2015.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the 2014-2015 *Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
 Certified Public Accountants

November 25, 2015

FINDINGS AND QUESTIONED COSTS SECTION

SHORELINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness? Yes No

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

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133? Yes No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.072	IDEA, Basic Local Assistance, Part B, Section 611
84.041	Impact Aid - Maintenance and Operations

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

State Awards

Internal control over state programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness? Yes None reported

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

SHORELINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section II - Financial Statements Findings

2015 - 001 - CASH DISBURSEMENTS - 30000

Criteria: Sound accounting practices require supporting documentation for cash disbursements and the use of purchase orders as a management tool to document prior approval and encumbrance of District expenditures.

Statement of Condition: During our testing of controls over purchasing and cash disbursements, it was noted purchases for West Marin Elementary School are frequently made in advance of processing a purchase order.

Questioned Costs: The conditions referred to above were the result of our tests of an attribute of the control system. We considered defining the dollar amount by extending the error rate to the total population, but determined this type of analysis would likely result in an incorrect conclusion.

Cause: District controls over purchases and cash disbursements were not followed.

Effect or Potential Effect: Without proper approval by an authorized person, unauthorized disbursements may be made limiting management's control over the purchases and cash disbursements and ultimately the budget.

Recommendation: To improve internal and budgetary controls, we recommend all District expenditures be supported by a completed purchase order prepared and approved in advance of the purchase. Before the purchase is approved, the budget should be reviewed for availability of funds and the order should be coded and encumbered.

District Response: The District office has been working with the West Marin School on procedures to ensure adherence to District procedures as well as expedient turn around on sites expenditures needs. Also in 2015-2016 Shoreline will be implementing online requisitioning and purchasing in at least pilot mode with full implementation in 2016-2017. The new online procedures will significantly improve turn around and provide improved controls to the process.

2015 - 002 - CASH RECONCILIATIONS - 30000

Criteria: Sound accounting practices require internal controls for cash activity that includes reconciliation of the recorded balance to the monthly bank statement and amount reimbursed to the District's imprest balance. In addition, adequate supporting documentation for revolving account payments should be maintained.

Statement of Condition: During our testing, it was noted reconciliations were unavailable for the District commercial bank revolving account and the cafeteria clearing account for the June 30, 2015 bank statements.

SHORELINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section II - Financial Statements Findings (Continued)

2015 - 002 - CASH RECONCILIATIONS - 30000 (CONCLUDED)

Questioned Costs: None. This finding refers to an attribute of the District's internal accounting controls.

Cause: The District is not consistently following internal control procedures requiring monthly reconciliations of bank statements and retention of adequate supporting documentation.

Effect or Potential Effect: Without monthly reconciliations to the bank statement and revolving bank account imprest balance, errors may occur and not be detected in a timely manner.

Recommendation: The District should reconcile the recorded balance for each commercial bank account to the monthly bank statement on a timely basis and maintain a record of those reconciliations as a permanent record. Differences noted on the reconciliations should be promptly resolved.

District Response: The District CBO in the past has not reviewed and approved the reconciliations for the Revolving and Clearing accounts. This will be instituted in 2015-2016.

2015 - 003 - JOURNAL ENTRY POSTING - 30000

Criteria: Proper internal accounting controls include segregation of duties that require journal entries are reviewed by someone other than the person creating the entry, knowledgeable about accounting principles prior to entry to the general ledger.

Statement of Condition: During testing of Journal Entries, it was noted entries are not reviewed by a second person prior to posting.

Questioned Costs: We determined an incorrect journal entry was recorded at June 30, 2015, resulting in property tax revenues overstated \$157 thousand.

Cause: The District does not have a policy requiring a review of journal entries.

Effect or Potential Effect: Without a review and approval for each journal entry, there is an increased risk that an inappropriate entry may be recorded to the District's general ledger either by mistake or intentionally, and not be detected by a District employee performing their regular duties.

SHORELINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section II - Financial Statements Findings (Continued)

2015 - 003 - JOURNAL ENTRY POSTING - 30000 (CONCLUDED)

Recommendation: We recommend procedures for processing journal entries be reviewed and revised to strengthen adherence to the requirement of documented approval and review for each journal entry.

District Response: Smaller district in many cases cannot establish complete segregation of duties given the small number of employees and appropriate training. Starting in 2015-2016 the District office will implement the following changes.

1. During the school year regular and routine entries are made to the general ledger. These entries for the most part are; transfer of expense between categories due to miss posting or unexpected changes in funding, booking of cash received directly at the District office or posted on our behalf by the county office of education and payroll transfers resulting from organization changes. These entries will be assigned to District office staff with a second staff member, in most cases the CBO reviewing and approving the entries.
2. Mostly during the annual accounting close but occasionally during the year complex entries are required to the general ledger. Examples of these are year-end accruals, GASB 68. These entries are created by the CBO and currently there is no staff in the District office to provide a value added review and approval. Going forward the CBO will be reviewing these entries with staff at the county office of education to ensure appropriateness of the accounting.

2015 - 004 - GENERAL LEDGER MAINTENANCE - 30000

Criteria: The District must record entries to the general ledger for apportionments deposited to the County Treasury by the County Office of Education. Sound accounting practices require making timely cash deposits and recording each deposit timely to the general ledger to provide control over District assets and improve reliability of District financial reports.

Statement of Condition: During our testing of the subsequent receipt of June 30, 2015 accounts receivable, we noted many were received, however, not entered into the general ledger.

Questioned Costs: The conditions referred to above were the result of our tests of an attribute of the control system. We considered defining the dollar amount by extending the error rate to the total population, but determined this type of analysis would likely result in an incorrect conclusion.

Cause: The District procedures requiring timely recording of all financial information were not followed.

SHORELINE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section II - Financial Statements Findings (Concluded)

2015 - 004 - GENERAL LEDGER MAINTENANCE - 30000 (CONCLUDED)

Effect or Potential Effect: Without accurate and timely posting of all deposits received, the District may not be able to maintain proper control over District assets. Also, financial reports are not reliable.

Recommendation: We recommend the District record all financial transactions.

District Response: The District office will ensure appropriate priority is given to the timely booking of our cash entries. Additionally, with the new segmentation of duties proposed in Finding 2015-003 the cash entries will be seen by a second set of eyes to ensure there are current.

Section III - Federal Award Findings and Questioned Costs

No matters are reported.

Section IV - State Award Findings and Questioned Costs

No matters are reported.

SHORELINE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

There were no findings or recommendations considered reportable conditions determined as a result of our audit of Shoreline Unified School District for the year ended June 30, 2014.