COTATI-ROHNERT PARK
UNIFIED SCHOOL DISTRICT
COUNTY OF SONOMA
ROHNERT PARK, CALIFORNIA

AUDIT REPORT

JUNE 30, 2016

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

Cotati-Rohnert Park Unified School District
County of Sonoma

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Cotati-Rohnert Park Unified School District
County of Sonoma

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FINANCIAL
SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Trustees
Cotati-Rohnert Park Unified School District
Rohnert Park, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

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

Other Matters

New Accounting Pronouncements

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of pension contributions, schedule of proportionate share of net pension liability and schedule of funding progress for the retiree healthcare plan (note 10), as listed in the table of contents or included in the notes to the financial statements, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards,* and the other information listed in the supplementary section of the table of contents, as required by the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

November 28, 2016
San Jose, California

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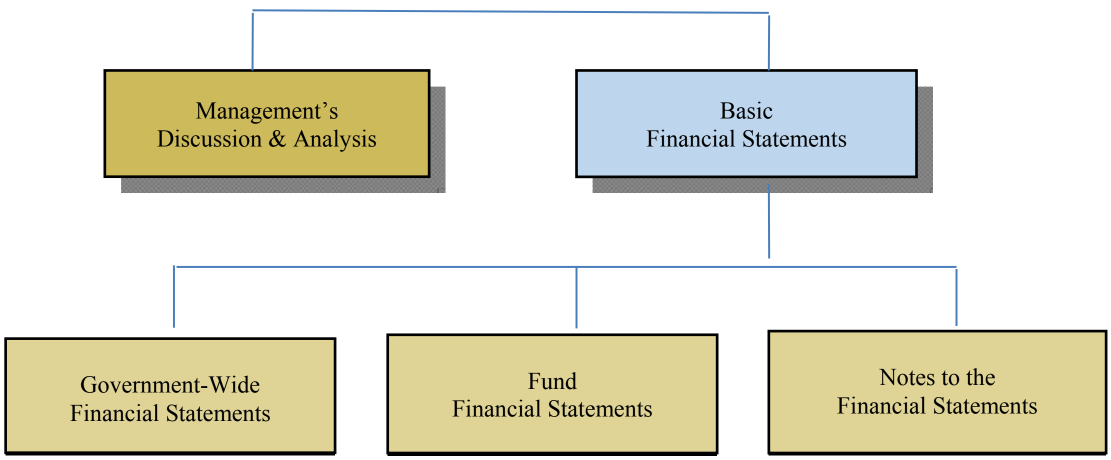
Management's Discussion and Analysis

INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. This report will focus on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position, identify any individual fund issues or concerns, and provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

Required Components of the Annual Financial Report



FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2016 were as follows:

- Total net position increased by $1,642,670, or 9%, from June 30, 2015 to June 30, 2016.
- General revenues accounted for $64,233,831 which is 86% of all revenues.
- The District had $73,061,278 in expenses, which were directly supported by program specific revenues of $10,543,530 in the form of operating grants and contributions and charges for services.
- Total fund balances of governmental funds increased by $10,197,079, or 50%, from June 30, 2015 to June 30, 2016.
- Among major funds, the General Fund had $62,599,753 in revenues and $60,648,756 in expenditures.

USING THE ANNUAL REPORT

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

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and 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 most significant funds with all other non-major funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
- Notes to the financial statements, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS - STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

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

These two statements report the District's net position and changes in net 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, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs and other factors.

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary funds

The district is the trustee, or fiduciary, for student body funds. All of the district's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district's fund and government-wide financial statements because the district cannot use these assets to finance its operations.

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2016 as compared to June 30, 2015:

Table 1 - Summary of Statement of Net Position

	2016	2015	Change	Percentage Change
Assets				
Current and Other Assets	$ 34,657,351	$ 30,439,111	$ 4,218,240	13.9%
Capital Assets	84,511,444	76,139,354	8,372,090	11.0%
Total Assets	$ 119,168,795	$ 106,578,465	$ 12,590,330	11.8%
Deferred Outflows of Resources	$ 10,382,213	$ 6,813,326	$ 3,568,887	52.4%
Liabilities				
Current Liabilities	$ 6,092,208	$ 10,311,286	$ (4,219,078)	-40.9%
Noncurrent Liabilities	135,334,843	113,065,728	22,269,115	19.7%
Total Liabilities	$ 141,427,051	$ 123,377,014	$ 18,050,037	14.6%
Deferred Inflows of Resources	$ 4,712,984	$ 8,246,474	$ (3,533,490)	-42.8%
Net Position				
Net Investment in Capital Assets	$ 4,223,439	$ 6,498,997	$ (2,275,558)	-35.0%
Restricted	8,250,205	8,270,041	(19,836)	-0.2%
Unrestricted	(29,062,671)	(33,000,735)	3,938,064	11.9%
Total Net Position	$ (16,589,027)	$ (18,231,697)	$ 1,642,670	9.0%

The increase in current assets and current liabilities reflects the issuance of general obligation bonds for facilities improvement programs in the District. The increase to net position was a result of adjustments related to GASB 68 the amounts required to be reported as a part of the District's pension plans.

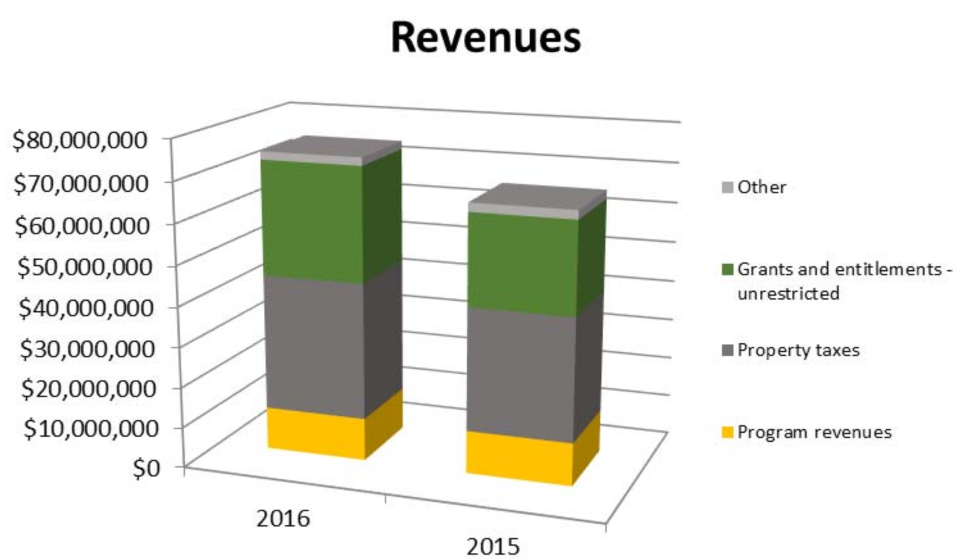
Table 2 shows the changes in net position for fiscal year 2016 as compared to 2015.

Table 2 - Summary of Changes in Net Position

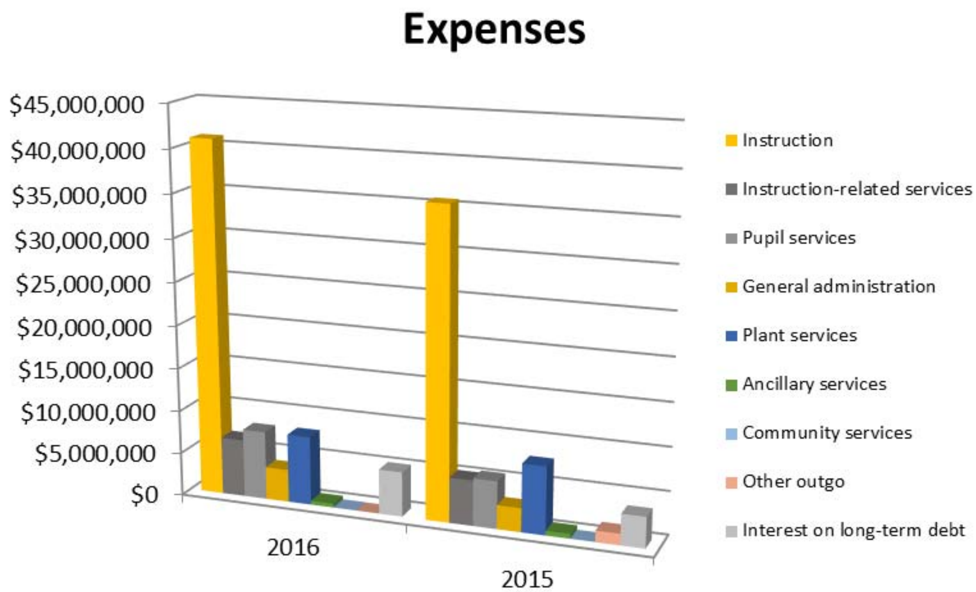
	2016	2015	Change	Percentage Change
Revenues				
Program revenues	$ 10,543,530	$ 10,601,218	$ (57,688)	-0.5%
General revenues:				
Property taxes	33,798,894	30,396,838	3,402,056	11.2%
Grants and entitlements - unrestricted	28,434,041	22,700,469	5,733,572	25.3%
Other	2,000,896	2,214,217	(213,321)	-9.6%
Total Revenues	74,777,361	65,912,742	8,864,619	13.4%
Program Expenses				
Instruction	41,001,472	35,651,850	5,349,622	15.0%
Instruction-related services	6,674,012	5,255,029	1,418,983	27.0%
Pupil services	7,950,600	6,808,812	1,141,788	16.8%
General administration	3,782,774	2,770,664	1,012,110	36.5%
Plant services	7,989,194	7,876,549	112,645	1.4%
Ancillary services	444,541	544,956	(100,415)	-18.4%
Community services	29,361	37,665	(8,304)	-22.0%
Other outgo	13,190	19,169	(5,979)	-31.2%
Interest on long-term debt	5,176,134	3,589,287	1,586,847	44.2%
Total Expenses	73,061,278	62,553,981	10,507,297	16.8%
Change in Net Position	1,716,083	3,358,761	(1,642,678)	-48.9%
Prior Period Adjustment - GASB 68 Pension Adjustments	-	(37,599,242)	37,599,242	100.0%
Prior Period Adjustment - Debt Defeasance Adjustment	(73,413)	-	(73,413)	-100.0%
Beginning Net Position	(18,231,697)	16,008,784	(34,240,481)	-213.9%
Ending Net Position	$ (16,589,027)	$ (18,231,697)	$ 1,642,670	9.0%

As of June 30, 2015, the District implemented GASB 68 which required the District to record its proportionate share of the PERS and STRS pension liabilities. The $37,599,242 prior period adjustment reflects the retroactive adjustment required by GASB 68 to report the beginning net pension liability for fiscal year 2015.

The following is a summary of government-wide revenues for the fiscal year ended June 30, 2016:



The following is a summary of expenses by function for the fiscal year ended June 30, 2016:



GOVERNMENTAL ACTIVITIES

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

Table 3 shows the net cost of services as compared to the prior fiscal year. That is, it identifies the cost of these services supported by general revenues for the government-wide statements (not the General Fund).

Table 3 - Net Cost of Services				
	2016	2015	Change	Percentage Change
Instruction	$ 34,660,582	$ 29,811,955	$ 4,848,627	16.26%
Instruction-related services	5,668,405	4,641,819	1,026,586	22.12%
Pupil services	5,270,477	2,315,665	2,954,812	127.60%
General administration	3,746,320	2,707,803	1,038,517	38.35%
Plant services	7,881,692	7,457,730	423,962	5.68%
Ancillary services	386,437	410,738	(24,301)	-5.92%
Community services	29,361	37,665	(8,304)	-22.05%
Other outgo	(301,660)	980,101	(1,281,761)	-130.78%
Interest on long-term debt	5,176,134	3,589,287	1,586,847	44.21%
Total Net Cost of Services	$ 62,517,748	$ 51,952,763	$ 10,564,985	20.34%

Instruction expenditures include activities directly dealing with the teaching of pupils. *Instruction-related services* include the activities involved with assisting staff with the content and process of educating students. *Pupil services* include guidance and counseling, psychological, health, speech and testing services, as well as preparing, delivering, and serving meals to students. *General administration* reflects expenditures associated with the administrative and financial supervision of the school district. Typical functions would include the Board of Trustees and Superintendent, Human Resources, Data Processing and Business Services. *Plant* *services* involve keeping the school grounds, buildings, and equipment in effective working condition. *Ancillary services* represent the expenditures associated with co-curricular and athletic programs for students of the District. *Community services* include paid overtime or extra time for custodial services performed entirely as a result of community services activities. *Other outgo* includes tuition and transfers of resources between Cotati-Rohnert Park Unified School District and other educational agencies for services provided to students.

THE DISTRICT'S FUNDS

The District's governmental funds report a combined fund balance of $30,518,143, which is an increase of $10,197,079 from last year's total. Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

Table 4 - Summary of Fund Balances

	2016	2015	Change	Percentage Change
General	$ 4,895,887	$ 2,611,057	$ 2,284,830	87.5%
Building Fund	15,376,927	8,914,576	6,462,351	72.5%
Bond Interest and Redemption Fund	9,108,369	8,179,446	928,923	11.4%
Nonmajor Funds	1,136,960	615,985	520,975	84.6%
Total Fund Balances	$ 30,518,143	$ 20,321,064	$ 10,197,079	50.2%

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and in the modified accrual basis of accounting. During the course of the 2015-16 fiscal year, the District revised its General Fund budget on an ongoing basis and prepared updated budget reports at 1st and 2nd Interim with a final update at the end of the fiscal year. For the General Fund, the final budget basis revenue and other financing sources estimate was $62,608,321 under the new Local Control Funding Formula (LCFF). The original budgeted estimate was $58,013,384.

The final budget reflected an increase in budgeted expenditures of $6,189,205 from the original budget.

CAPITAL ASSETS

Table 5 shows June 30, 2016 capital asset balances as compared to June 30, 2015.

Table 5 - Summary of Capital Assets Net of Depreciation

	2016	2015	Change	Percentage Change
Land	$ 9,482,482	$ 9,482,482	$ -	0.0%
Work-in-Progress	2,992,380	9,795,282	(6,802,902)	-69.5%
Site Improvements	2,740,270	404,039	2,336,231	578.2%
Buildings and Improvements	62,246,220	49,711,234	12,534,986	25.2%
Equipment	7,050,092	6,746,317	303,775	4.5%
Total Capital Assets - Net	$ 84,511,444	$ 76,139,354	$ 8,372,090	11.0%

The increase in Work-in-Progress is due to the District's on-going facilities improvement program.

LONG TERM LIABILITIES

Table 6 summarizes the percent changes in long-term liabilities over the past year.

Table 6 - Summary of Long-term Liabilities

	2016	2015	Change	Percentage Change
General Obligation Bonds	$ 96,929,123	$ 75,806,139	$ 21,122,984	27.9%
Capital Lease	2,985,700	5,961,604	(2,975,904)	-49.9%
Early Retirement Incentive	30,131	42,218	(12,087)	-28.6%
Net Pension Obligations	34,336,764	30,436,355	3,900,409	12.8%
Annual Net OPEB Obligation	860,296	657,745	202,551	30.8%
Compensated Absences	192,829	161,667	31,162	19.3%
Total Long-term Liabilities	$ 135,334,843	$ 113,065,728	$ 22,269,115	19.7%
Deferred Loss on Early Retirement of Debt	(4,249,891)	(3,212,810)	(1,037,081)	-32.3%
Long-term Liabilities – Net	$ 131,084,952	$ 109,852,918	$ 21,232,034	19.3%

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has undertaken various initiatives in a successful effort to increase student enrollment, and enrollment increased in the last three years after decreasing by more than 2,500 students over the preceding fifteen years. Employment opportunities have increased within the District's boundaries and new home construction is increasing, which will yield more students.

The State of California has not guaranteed future funding under the LCFF, so the District's future revenue is as dependent on State action as it has ever been. Even at full implementation of the LCFF, funding for California's schools will be far below the national average.

District voters passed a second $80 million general obligation bond on November 8, 2016. Added to the $80 million bond passed on June 3, 2014, these funds will provide significant improvements to District schools, including construction of new classroom buildings and modernization of existing facilities.

District voters passed an eight-year extension of the existing $89 parcel tax on November 3, 2015. This measure will generate $1.2 million of locally controlled funds annually through 2025.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Cotati-Rohnert Park Unified School District, 7165 Burton Ave., Rohnert Park, CA 94928.

Basic Financial Statements

Cotati-Rohnert Park Unified School District
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Current assets:	
Cash and investments	$ 33,008,304
Accounts receivable	1,574,714
Other assets and prepaid expenses	58,092
Stores inventories	16,241
Total current assets	34,657,351
Noncurrent assets:	
Non-depreciable capital assets	12,474,862
Capital assets, net of depreciation	72,036,582
Total noncurrent assets	84,511,444
Total Assets	$ 119,168,795
Deferred Outflows of Resources	
Pension contributions	$ 6,132,322
Deferred loss on early retirement of long-term debt	4,249,891
Total Deferred Outflows of Resources	$ 10,382,213
Liabilities	
Current liabilities:	
Accounts payable	$ 3,941,836
Unearned revenue	197,372
Accrued interest	1,953,000
Total current liabilities	6,092,208
Long-term liabilities:	
Due within one year	8,304,145
Due after one year	127,030,698
Total long-term liabilities	135,334,843
Total Liabilities	$ 141,427,051
Deferred Inflows of Resources	
Differences in projected and actual earnings in pension plans	$ 4,712,984
Net Position	
Net Investment in Capital Assets	$ 4,223,439
Restricted for:	
Educational programs	947,194
Debt service	7,155,369
Cafeteria programs	89,550
Other purposes (nonexpendable)	58,092
Total restricted	8,250,205
Unrestricted	(29,062,671)
Total Net Position	$ (16,589,027)

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

Cotati-Rohnert Park Unified School District
Statement of Activities
For the Fiscal Year Ended June 30, 2016

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental activities:				
Instruction	$ 41,001,472	$ -	$ 6,340,890	$ (34,660,582)
Instruction-related services:				
Supervision of instruction	1,692,506	-	813,399	(879,107)
Instructional library, media and technology	325,495	-	11,318	(314,177)
School site administration	4,656,011	-	180,890	(4,475,121)
Pupil services:				
Home-to-school transportation	2,136,999	-	34,711	(2,102,288)
Food services	1,871,724	420,250	1,250,694	(200,780)
All other pupil services	3,941,877	-	974,468	(2,967,409)
General administration:				
Data processing	614,604	-	-	(614,604)
All other general administration	3,168,170	-	36,454	(3,131,716)
Plant services	7,989,194	115	107,387	(7,881,692)
Ancillary services	444,541	-	58,104	(386,437)
Community services	29,361	-	-	(29,361)
Transfers to other agencies	13,190	-	314,850	301,660
Interest on long-term debt	5,176,134	-	-	(5,176,134)
Total governmental activities	$ 73,061,278	$ 420,365	$ 10,123,165	(62,517,748)
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				23,019,466
Taxes levied for debt service				8,989,438
Taxes levied for other specific purposes				1,789,990
Federal and state aid not restricted to specific purposes				28,434,041
Interest and investment earnings				757,519
Miscellaneous				1,600,982
Special item - loss on disposal of capital assets				(357,605)
Total general revenues and special items				64,233,831
Change in net position				1,716,083
Net position beginning				(18,231,697)
Prior period adjustment - debt defeasance				(73,413)
Net position beginning - restated				(18,305,110)
Net position ending				$ (16,589,027)

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

Cotati-Rohnert Park Unified School District
Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 6,874,097	$ 15,904,020	$ 9,108,369	$ 1,121,818	$ 33,008,304
Accounts receivable	1,402,236	-	-	172,478	1,574,714
Due from other funds	79,690	-	-	60,437	140,127
Other assets and prepaids	58,036	-	-	56	58,092
Stores inventories	-	-	-	16,241	16,241
Total Assets	$ 8,414,059	$ 15,904,020	$ 9,108,369	$ 1,371,030	$ 34,797,478
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 3,269,848	$ 527,093	$ -	$ 144,895	$ 3,941,836
Due to other funds	60,437	-	-	79,690	140,127
Unearned revenue	187,887	-	-	9,485	197,372
Total Liabilities	3,518,172	527,093	-	234,070	4,279,335
Fund balances:					
Nonspendable:					
Revolving fund	5,000	-	-	200	5,200
Stores inventories	-	-	-	16,241	16,241
Prepaid and other	58,036	-	-	56	58,092
Restricted for:					
Educational programs	947,194	-	-	-	947,194
Debt service	-	-	9,108,369	-	9,108,369
Cafeteria programs	-	-	-	89,550	89,550
Capital projects	-	15,376,927	-	90,319	15,467,246
Committed for:					
Budget stabilization	847,408	-	-	-	847,408
Assigned for:					
Salary increases	950,000	-	-	-	950,000
Sites and departments	189,950	-	-	-	189,950
Capital facilities projects	-	-	-	940,594	940,594
Unassigned:					
Economic uncertainties	1,898,299	-	-	-	1,898,299
Total Fund Balances	4,895,887	15,376,927	9,108,369	1,136,960	30,518,143
Total Liabilities and Fund Balances	$ 8,414,059	$ 15,904,020	$ 9,108,369	$ 1,371,030	$ 34,797,478

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

Cotati-Rohnert Park Unified School District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2016

Total fund balances - governmental funds		$ 30,518,143
Amounts reported in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital assets at cost	$ 142,096,766	
Accumulated depreciation	(57,585,322)	84,511,444
The difference between projected and actual earnings from pension plan assets is not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the statement of net position. Contrbutions made in the current year were reported as deferred outflows of resources because they were not paid as of the plans' valuation dates.		1,419,338
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds.		(1,953,000)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
General obligation bonds	$ 90,695,000	
Loss on early retirement of long-term debt	(4,249,891)	
Bond premiums	6,234,123	
Capital lease	2,985,700	
Early retirement incentives	30,131	
Net pension obligations	34,336,764	
Annual net OPEB obligation	860,296	
Compensated absences (vacation)	192,829	(131,084,952)
Total net position - governmental activities		$ (16,589,027)

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

Cotati-Rohnert Park Unified School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2016

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
LCFF sources	$ 47,192,073	$ -	$ -	$ -	$ 47,192,073
Federal revenue	2,624,502	-	-	1,096,640	3,721,142
Other state	7,060,862	-	-	91,331	7,152,193
Other local	5,722,316	110,651	9,054,751	1,608,786	16,496,504
Total revenues	62,599,753	110,651	9,054,751	2,796,757	74,561,912
Expenditures:					
Current					
Instruction	38,143,783	-	-	-	38,143,783
Instruction-related services:					
Supervision of instruction	1,668,120	-	-	-	1,668,120
Instruction library, media and technology	319,607	-	-	-	319,607
School site administration	4,528,952	-	-	-	4,528,952
Pupil services:					
Home-to-school transportation	2,136,999	-	-	-	2,136,999
Food services	104,171	-	-	1,765,581	1,869,752
All other pupil services	3,868,579	-	-	-	3,868,579
General administration:					
Data processing	597,600	-	-	-	597,600
All other general administration	3,085,375	-	-	12,051	3,097,426
Plant services	5,343,321	2,363,365	-	125,354	7,832,040
Facilities acquisition and construction	314,026	13,591,597	-	-	13,905,623
Ancillary services	405,578	-	-	38,963	444,541
Community services	29,361	-	-	-	29,361
Transfers to other agencies	13,190	-	-	-	13,190
Debt service:					
Principal	87,673	2,888,231	6,370,000	-	9,345,904
Interest and fees	2,421	305,107	3,031,866	-	3,339,394
Total expenditures	60,648,756	19,148,300	9,401,866	1,941,949	91,140,871
Excess (deficiency) of revenues over (under) expenditures	1,950,997	(19,037,649)	(347,115)	854,808	(16,578,959)
Other financing sources (uses):					
Transfers in	521,000	-	-	187,167	708,167
Transfers out	(187,167)	-	-	(521,000)	(708,167)
Proceeds from bond issuance	-	25,500,000	1,276,038	-	26,776,038
Total other financing sources (uses)	333,833	25,500,000	1,276,038	(333,833)	26,776,038
Net changes in fund balances	2,284,830	6,462,351	928,923	520,975	10,197,079
Fund balances beginning	2,611,057	8,914,576	8,179,446	615,985	20,321,064
Fund balances ending	$ 4,895,887	$ 15,376,927	$ 9,108,369	$ 1,136,960	$ 30,518,143

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

Cotati-Rohnert Park Unified School District

Reconciliation of the Governmental Funds Statement of
Revenues and Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Fiscal Year Ended June 30, 2016

Total net change in fund balances - governmental funds		$ 10,197,079
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	$ 12,433,220	
Depreciation expense	(3,703,525)	8,729,695
Governmental funds do not report gains and losses on disposal of capital assets. However, in the government-wide Statement of Activities, the loss on the disposal of capital assets net any proceeds is accounted for as a special item.		(357,605)
The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:		
Repayment of bond principal	$ 6,370,000	
Proceeds from issuance of bonds	(26,776,038)	
Repayment of lease obligations	2,975,904	(17,430,134)
Issuance costs, discounts and premiums related to bond issues are recorded as other financing sources and uses in the fund financial statements but are recorded as assets or liabilities and amortized over the life of the bond in the statement of net position:		
Amortization of deferred loss on early retirement of long-term debt	$ (356,979)	
Amortization of bond premiums	573,054	
Amortization of discounts and issuance cost	(503,761)	(287,686)
In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned exceeded the amounts used.		(31,162)
In the statement of activities, the net postemployment benefit obligation is the amount by which the contributions toward the OPEB plan were less than the annual required contribution as actuarially determined. The net postemployment benefit obligation is not recorded in the governmental fund statements. The change in the net OPEB obligation was recorded in the statement of activities in the amount of:		(202,551)
In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		2,062,360
In the statement of activities, obligations for early retirement incentives are recorded because of their long-term nature, but are not required to be recorded in the governmental fund statements. The change in early retirement incentives reported in the statement of activities was:		12,087
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		(976,000)
Changes in net position of governmental activities		$ 1,716,083

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

Cotati-Rohnert Park Unified School District

Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2016

	Student Body Agency Fund Total
Assets	
Cash on hand and in banks	$ 291,016
Total Assets	$ 291,016
Liabilities	
Due to student groups	$ 291,016
Total Liabilities	$ 291,016

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

Notes to the Basic Financial Statements

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

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

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements using the criteria established by GASB.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Eliminations have been made to minimize the effect of interfund activities.

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 that are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 90 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 in which the taxes are received. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Outflows/Deferred Inflows:

Deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period, for example, prepaid items and deferred charges. Deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period, for example, unearned revenue and advance collections.

Unearned Revenue:

Unearned/Deferred 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:

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. The District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, and fiduciary funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

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

The *Bond Interest and Redemption Fund* is used to account for taxes received and expended on interest and the redemption of principal of general obligation bonds.

Non-major Governmental Funds:

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

- The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service programs.

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

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

- The *Capital Facilities Fund* is used to account for resources received from developer impact fees committed to acquire temporary or permanent facilities.

- The *Special Reserve Fund for Capital Outlay Projects* exists primarily to account for redevelopment funds received under contracts with the cities of Rohnert Park and Cotati.

Fiduciary Funds:

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

F. Budgets and Budgetary Accounting

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

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

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

G. Encumbrances

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

H. Pensions

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

I. Assets, Liabilities, and Equity

a) Cash and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Deposit Insurance Corporation except for non-interest bearing accounts which are completely insured. In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

b) Fair Value Measurements

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

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

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

c) Stores Inventories and Prepaid Expenditures

Stores Inventories

Stores inventories are recorded using the purchases method, in that inventory acquisitions are recorded as expenditures.

Prepaid expenditures

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period, thus recording a prepaid expenditure in the Statement of Net Position.

d) Capital Assets

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

Assets	Years
Improvement of sites	15-20
Buildings	40
Portable buildings	15-20
Building improvements	15-20
Furniture and fixtures	5-15
Playground equipment	15-20
Food services equipment	5-15
Transportation equipment	5-15
Telephone system	5-15
Vehicles	5
Computer system and equipment	5
Office equipment	5

e) Compensated Absences

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

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

e) Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts as well as issuance costs, when applicable, are deferred and amortized over the life of the bonds. In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of the debt issued and any premiums or discounts are reported as other financing sources or uses.

f) Fund Balance Classifications

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a reserve for economic uncertainties,

consisting of unassigned amounts, of four percent of general fund operating expenditures and other financing uses.
In accordance with Government Accounting Standards Board Statement No. 54*, Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

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

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

g) Net Position

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

Educational program restrictions reflect the amounts to be expended on specific school programs funded by federal and state resources and from locally funded programs with stipulated uses.

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

Cafeteria program restrictions reflect the cash balances in the cafeteria fund that are restricted for food services and child nutrition programs.

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

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

h) Local Control Funding Formula and Property Taxes

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

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

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding 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.

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

i) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District pools its risks with other school districts in the County as a part of public entity risk pools. The District pays annual premiums for its property and casualty, workers' compensation, and liability insurance coverage. The Joint Powers Agreement provides that the pools will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of selfinsured levels. The District is also a part of a risk pool which provides medical, dental and vision coverage. See Note 8 for further disclosure.

There were no significant reductions in insurance coverage from coverage in the prior year and no insurance settlements exceeding insurance coverage.

j) Interfund Transactions

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

k) Accounting Estimates

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

l) Subsequent Events

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

J. Implemented New Accounting Pronouncements

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

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

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

The statement requires that acquisition value (an entry price) be used to measure the following assets:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

K. Upcoming Accounting and Reporting Changes

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

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

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

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

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

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

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

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

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

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

a. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

b. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
c. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

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

GASB Statement No. 77, *Tax Abatement Disclosures*

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

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

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

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

The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Prior to the issuance of this GASB 78, the requirements of GASB 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that statement.

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

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

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

NOTE 2 – CASH AND INVESTMENTS

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

Description	Carrying Amount	Fair Value	Investment Rating
Government-Wide Statements:			
Cash in county treasury investment pool	$ 32,901,077	$ 32,927,398	n/a
Carrying amount of cash in banks	9,461	9,461	n/a
Cash in revolving fund	5,200	5,200	n/a
Cash awaiting deposit	92,566	92,640	n/a
Total Cash and Investments	$ 33,008,304	$ 33,034,699	
Fiduciary Funds:			
Cash in Banks	$ 291,016	$ 291,016	n/a

Cash in Banks and in Revolving Funds

Cash balances in banks and revolving funds are insured up to $250,000 per entity and per bank by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2016, the bank balance of the District's accounts with banks was $317,497, which exceeded FDIC insurance by $67,497.

Fair Value Measurements

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

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

As of June 30, 2016, the cash in the County investment pool of $32,927,398 was valued using Level 2 inputs.

Cash in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to maintain substantially all of its cash with the County Treasurer in accordance with Education Code Section 41001. The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Policies and Practices

The District is authorized under California Government Code Section 53635 to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains cash with the County of Sonoma Investment Pool. The pool has a fair value of approximately $1.898 billion and an amortized book value of $1.896 billion. The average maturity of the pool was 828 days and the pool holds no derivative products.

Credit Risk

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

Custodial Credit Risk - Deposits

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

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 – ACCOUNTS RECEIVABLE

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

Receivables	General Fund	Nonmajor Funds	Total
Federal Government:			
Child Nutrition	$ -	$ 172,478	$ 172,478
Special Education	458,559	-	458,559
Other Federal Resources	4,996	-	4,996
State Government:			
Special Education	1,795	-	1,795
Lottery	275,918	-	275,918
Mental Health	160,355	-	160,355
Local Government			
Other Local Resources	43,438	-	43,438
Other Resources	457,175	-	457,175
Total Accounts Receivable	$ 1,402,236	$ 172,478	$ 1,574,714

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activities for the year ended June 30, 2016 were as follows:

Capital Assets	Balance July 01, 2015	Additions	Reductions	Balance June 30, 2016
Land - not depreciable	$ 9,482,482	$ -	$ -	$ 9,482,482
Work-in-progress - not depreciable	9,795,282	2,282,956	(9,085,858)	2,992,380
Buildings	95,961,182	16,149,008	(732,561)	111,377,629
Site improvements	6,325,492	2,744,230	(90,109)	8,979,613
Furniture and equipment	8,932,766	342,884	(10,988)	9,264,662
Total capital assets	130,497,204	21,519,078	(9,919,516)	142,096,766
Less accumulated depreciation for:				
Buildings	46,249,948	3,273,699	(392,238)	49,131,409
Site improvements	5,921,453	327,372	(9,482)	6,239,343
Furniture and equipment	2,186,449	102,454	(74,333)	2,214,570
Total accumulated depreciation	54,357,850	3,703,525	(476,053)	57,585,322
Total capital assets - net of depreciation	$ 76,139,354	$ 17,815,553	$ (9,443,463)	$ 84,511,444

Depreciation expense was charged to governmental activities as follows:

Instruction	$	2,625,967
Supervision of instruction		55,030
Instruction library, media and technology		13,286
School site administration		286,726
Food services		4,450
All other pupil services		165,407
Data processing		38,373
All other general administration		159,645
Plant services		354,641
Total depreciation expense	$	3,703,525

NOTE 5 – INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables (Due From/Due To)

Interfund receivables and payables consisted of the following as of June 30, 2016:

Description	Due From	Due to
General Fund	$ 79,690	$ 60,437
Cafeteria Fund	-	79,690
Special Reserve Fund for Capital Projects	60,437	-
Totals	$ 140,127	$ 140,127

Interfund Transfers

During the fiscal year ended June 30, 2016, the District's interfund transfers consisted of the following:

Description	Transfers In	Transfers Out
General Fund	$ 521,000	$ 187,167
Cafeteria Fund	187,167	-
Special Reserve Fund for Capital Projects	-	521,000
Totals	$ 708,167	$ 708,167

NOTE 6 – LONG-TERM DEBT

Schedule of Changes in Long-term Debt

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

Description	Balance July 01, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
General obligation bonds	$ 70,275,000	$ 26,790,000	$ 6,370,000	$ 90,695,000	$ 5,980,000
Unamortized bond premium	5,531,139	1,276,038	573,054	6,234,123	609,513
Subtotal general obligation bonds	75,806,139	28,066,038	6,943,054	96,929,123	6,589,513
Capital leases	5,961,604	-	2,975,904	2,985,700	1,509,716
Early retirement incentives	42,218	-	12,087	30,131	12,087
Net pension obligations	30,436,355	3,900,409	-	34,336,764	-
Annual net OPEB obligation	657,745	1,229,095	1,026,544	860,296	-
Compensated absences	161,667	31,162	-	192,829	192,829
Total Long-term Debt	$ 113,065,728	$ 33,226,704	$ 10,957,589	$ 135,334,843	$ 8,304,145

Payments on the general obligation bonds were made from the Bond Interest and Redemption Fund using local revenues. Compensated absences were paid by the fund for which the employee worked. Early retirement incentives, net pension obligations and net OPEB obligations were paid from the General Fund. Capital leases were paid from the General Fund and the Building Fund.

General Obligation Bonds Payable

The following summarizes the general obligation bonds outstanding as of June 30, 2016:

Description	Issue Date	Maturity Date	Interest Rate Percent	Original Issue	Bonds Outstanding July 01, 2015	Issued/ Adjustments	Redeemed	Bonds Outstanding June 30, 2016
2005 Refunding GOB (Series B)	2005	2018	3-5	$ 6,450,000	$ -	$ 735,000	$ (735,000)	$ -
Election of 1990, Series I	1990	2026	4-7	11,005,000	-	555,000	(330,000)	225,000
2010 Refunding GOB	2010	2025	2-5	16,355,000	11,170,000	-	(1,225,000)	9,945,000
2013 Refunding GOB	2013	2016	2-4	5,730,000	2,495,000	-	(1,675,000)	820,000
2014 Refunding GOB, Series A and B	2015	2026	2-5	35,610,000	35,610,000	-	(445,000)	35,165,000
2014 GOB, Series A and B	2015	2050	1.1-5	21,000,000	21,000,000	-	(1,960,000)	19,040,000
2014 GOB, Series C and D	2016	2051	1.3-5	25,500,000	-	25,500,000	-	25,500,000
Total General Obligation Bonds					$ 70,275,000	$ 26,790,000	$ (6,370,000)	$ 90,695,000

In 2013, the District issued $5,730,000 in General Obligation Bonds to advance refund $5,835,000 of outstanding 2003 Refunding General Obligation Bonds. The net proceeds of $5,859,048 (including premium of $251,586 and after payment of $122,538 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded debt. As a result, the 2033 Refunding General Obligation Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. The 2013 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $24,048.

In 2011, the District issued $16,355,000 in General Obligation Bonds to advance refund $16,270,000 of outstanding 1997 Series H and 2001 Series A bonds. The net proceeds of $16,556,393 (after payment of $379,473 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded debt. As a result, the 1997 Series H and 2001 Series A bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. The 2011 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,088,265. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2025 using the straight line method.

In 2014, the District issued $21,000,000 in 2014 Series A and B General Obligation Bonds to finance school facilities projects as identified in Measure B. The net proceeds of $20,993,493 (after payment of $364,568 in underwriting fees, insurance, and other issuance costs) included a premium of $358,061.

In 2014, the District issued $35,610,000 in 2014 Series A and B General Obligation Bonds to advance refund $39,385,000 of outstanding bonds. The net proceeds of $39,489,060 (after payment of $409,292 in underwriting fees, insurance, and other issuance costs) included a premium of $4,288,352 and were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. The 2014 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,394,060.

In November 2015, the District issued $25,500,000 in 2014 Series C and D General Obligation bonds. The bonds were issued at a premium of $1,276,038 and have coupon rates from 1.3 to 5% through 2035. The bonds were issued to fund future capital facilities projects.

As of June 30, 2016, the District decreased beginning net position by $73,413 to report the correct balance for deferred losses on the defeasance of long-term debt. This prior period adjustment did not have a significant impact on the financial statements.

As of June 30, 2016, the annual debt service requirements of the District's general obligation bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2017	$ 5,980,000	$ 4,375,923	$ 10,355,923
2018	5,320,000	3,628,038	8,948,038
2019	4,795,000	3,451,475	8,246,475
2020	5,210,000	3,234,675	8,444,675
2021	5,800,000	2,977,225	8,777,225
2022-2026	21,600,000	11,319,369	32,919,369
2027-2031	1,920,000	8,875,656	10,795,656
2032-2036	3,735,000	8,430,350	12,165,350
2037-2041	7,350,000	7,262,850	14,612,850
2042-2046	12,365,000	4,924,175	17,289,175
2047-2051	16,620,000	1,598,200	18,218,200
Total Debt Service	$ 90,695,000	$ 60,077,935	$ 150,772,935

Capital Leases

In August 2012, the District entered into a capital lease for computer equipment with total payments of $438,900. Payments began on September 1, 2012 with the final payment on August 31, 2016.

In June 2015, the District entered into a capital lease for technology equipment with total payments of $5,979,240. Payments began on September 15, 2015 and the final payment is due on June 15, 2018. The lease bears interest at 2.152% per annum.

The future minimum lease payments on the capital leases are as follows:

Year Ending June 30	Principal	Interest	Total
2017	$ 1,509,716	$ 65,687	$ 1,575,403
2018	1,475,984	32,259	1,508,243
Total Debt Service	$ 2,985,700	$ 97,946	$ 3,083,646

Early Retirement Incentives

Under the District's collective bargaining agreements, certain eligible employees under age 63 are entitled to early retirement incentive payments of a stipulated amount for a set number of years depending on their age at retirement.

Future estimated payments required under these programs are as follows:

Year Ending June 30	Early Retirement Incentive
2017	$ 12,087
2018	9,044
2019	3,000
2020	3,000
2021	3,000
Total Debt Service	$ 30,131

NOTE 7 – COMMITMENTS AND CONTINGENCIES

A. Litigation

During the normal course of business, the District may be exposed to various claims and litigation. However, management believes, based on consultation with legal counsel, that the ultimate resolution of any such matters will not have a material adverse effect on the District's financial position or results of operations.

B. Federal and State Allowances, Awards, and Grants

The District has received federal and state 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 reimbursement will not be material.

C. Long-Term Facility Lease

The District has a joint facility use agreement with the California State University-Sonoma State University Campus for 17,719 square feet of space to be utilized for the Technology High School. All payments were already made on the original 15,000 square foot lease. However, an amendment to the lease in 2013 increased the leased space and extended the term four additional years, through June 30, 2028, for annual payments of $223,392 over 15 years. The District will receive no sublease rental revenues nor pay any contingent rentals for this property.

NOTE 8 – JOINT POWERS AGREEMENTS

The District participates in two joint ventures under joint powers agreements (JPAs) with the Redwood Empire Schools' Insurance Group (RESIG) for property and liability and workers' compensation coverage, and the West County Transportation Agency for pupil transportation. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage or services for their members. The JPAs are governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including the 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 or fee commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPAs.

The following is a summary of each JPA's most recent financial statement information:

	WCTA June 30, 2015	RESIG June 30, 2015
Total Assets & Deferred Outflows	$ 15,053,763	$ 59,121,563
Total Liabilities & Deferred Inflows	8,231,621	38,220,205
Total Equity	6,822,142	20,901,358
Total Revenues	13,113,595	18,805,598
Total Expenditures	10,403,847	13,911,108

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS

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

General Information about the PERS Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries.

Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

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

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

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

	Total
Contributions - employer	$ 636,568
Contributions - employee	385,165
Total contributions	$ 1,021,733

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

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

	Proportionate Share of Net Pension Liability
Miscellaneous Plan	$ 6,810,574

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

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

	Proportion of Net Pension Liability
Proportion - June 30, 2014	0.0454%
Proportion - June 30, 2015	0.0462%
Change in Net Pension Liability	0.0008%

For the year ended June 30, 2016, the District recognized pension expense of $803,437 for the Plan.

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 720,373	$ -
Changes in assumptions	-	(442,874)
Differences between expected and actual experiences	411,943	-
Net differences between projected and actual earnings on plan investments	1,183,822	(1,430,627)
Total	$ 2,316,138	$ (1,873,501)

The District reported $720,373 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Fiscal Year Ending	Deferred Outflows (Inflows) of Resources
2017	$ (191,586)
2018	(191,586)
2019	(190,520)
2020	295,956
Total Outflows (Inflows) - Net	$ (277,736)

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.65 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65 percent investment return assumption used in this accounting valuation is net of administrative expenses.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

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

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

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.65%
Net Pension Liability	$ 11,084,776
Current Discount Rate	7.65%
Net Pension Liability	$ 6,810,574
1% Increase	8.65%
Net Pension Liability	$ 3,256,289

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

California State Teachers' Retirement System (STRS) Pension Plan

General Information about the STRS Pension Plan

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

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

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

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

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

	Total
Contributions - employer	$ 2,963,948
Contributions - employee	1,129,500
Total contributions	$ 4,093,448

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

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

	Proportionate Share of Net Pension Liability
Miscellaneous Plan	$ 28,536,952

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

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

	Proportion of Net Pension Liability
Proportion - June 30, 2014	0.0450%
Proportion - June 30, 2015	0.0424%
Change in Net Pension Liability	-0.0026%

For the year ended June 30, 2016, the District recognized pension expense of $1,670,760 for the Plan. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,816,184	$ -
Changes in assumptions	-	-
Differences between expected and actual experiences	-	(472,320)
Net differences between projected and actual earnings on plan investments	-	(2,469,690)
Total	$ 3,816,184	$ (2,942,010)

The District reported $3,816,184 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

Fiscal Year Ending	Deferred Outflows(Inflows) of Resources
2017	$ (1,140,210)
2018	(1,140,210)
2019	(1,140,210)
2020	478,620
Total Outflows (Inflows) - Net	$ (2,942,010)

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

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

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

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

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

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

(a) 10-year geometric average.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease		6.60%
Net Pension Liability	$	45,744,300
Current Discount Rate		7.60%
Net Pension Liability		30,295,800
1% Increase		8.60%
Net Pension Liability	$	17,456,850

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

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description. The District's Postemployment Healthcare Plan (PHP) is a single-employer defined benefit healthcare plan including medical benefits for the participating groups of employees. One retired employee received medical, dental and vision benefits. Eligibility for retiree health benefits is based on age and service of the employee. Although all participants are enrolled in either the State Teachers' Retirement System (STRS) or California Public Employees' Retirement System (PERS), receipt of pension benefits is not required for retiree health and welfare eligibility.

Certificated (RPCEA)

Employees may retire with District-paid benefits after attaining age 55 and completing at least 15 years of full-time service. For those eligible retirees, the District will contribute towards the cost of health insurance for ten years or until age 65 if earlier. Retirees who have attained age 55 and completed at least 10 but fewer than 15 years of full-time service will receive a District contribution for five years or until age 65, if earlier. For purposes of this paragraph, employment of at least 60% full-time equivalence counts as full-time service. The District's contribution is equal to the retiree only premium for Kaiser Plan 4. Certain grandfathering rules applied to retirees who were participants in HealthNet or PacifiCare before October 1, 2008.

Classified (CSEA)

Employees may retire with District-paid benefits after attaining age 50 and completing at least 15 years of service with the District. For those eligible retirees, the District will contribute towards the cost of health insurance for 10 years or until age 65 if earlier. The District's contribution is equal to the retiree-only premium for Kaiser Plan 4, reduced by a pro-rata schedule for employees who regularly worked fewer than 6 hours per day. Certain grandfathering rules applied to retirees who were participants in HealthNet or PacifiCare before October 1, 2008.

Classified (SEIU)

Employees may retire with District-paid benefits after attaining age 50 and completing at least 15 years of continuous service with the District. For those eligible retirees, the District will contribute towards the cost of health insurance for 10 years or until age 65 if earlier. Retirees who have attained age 55 and completed at least 10 but fewer than 15 years of continuous service will receive a District contribution for five years or until age 65, if earlier. The District's contribution is equal to the retiree-only premium for Kaiser Plan 4, reduced by a pro-rata schedule for employees who regularly worked fewer than 6 hours per day. Certain grandfathering rules applied to retirees who were participants in HealthNet or PacifiCare before October 1, 2009.

All contracts with District employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by various labor agreements. For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

Funding Policy. The District currently pays for post-employment healthcare benefits on a pay-as-you-go basis. Although the District is studying the establishment of a trust to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

The following is a summary of the funded status of the plan as of June 30, 2016:

Actuarial accrued liability (AAL)	$ 10,303,495
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 10,303,495
Funded ratio (actuarial value of plan assets/AAL)	0%
Projected covered payroll (active Plan members)	$ 26,485,626
UAAL as a percentage of covered payroll	38.90%

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

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

Annual required contribution	$ 1,239,268
Interest on net OPEB obligation	22,823
Adjustment to annual required contribution	(32,996)
Annual OPEB cost (expense)	1,229,095
Contributions made	(1,026,544)
Change in net OPEB obligation	202,551
Net OPEB obligation - beginning of year	657,745
Net OPEB obligation - end of year	$ 860,296

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	$ 1,149,043	104.23%	$ 699,991
6/30/2015	1,148,710	103.68%	657,745
6/30/2016	1,229,095	83.52%	860,296

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

The actuarial assumptions included a discount rate of 3.75% per year and an annual healthcare cost trend rate of 5%. The discount rate is the interest rate at which future benefit obligations are discounted back to the present time. GASB 45 requires that the discount rate reflect the expected investment return on the District's investments.

Required Supplementary Information (OPEB Schedule of Funding Progress)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c))
7/1/2011	$ -	$ 9,659,415	$ 9,659,415	0.00%	$ 24,690,935	39.12%
7/1/2013	-	10,614,153	10,614,153	0.00%	25,776,765	41.18%
7/1/2015	-	10,303,495	10,303,495	0.00%	26,485,626	38.90%

REQUIRED SUPPLEMENTARY INFORMATION

Cotati-Rohnert Park Unified School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual (GAAP Basis)	Positive - (Negative)
Revenues:				
LCFF sources	$ 45,553,571	$ 46,783,130	$ 47,192,073	$ 408,943
Federal revenues	2,242,103	2,846,638	2,624,502	(222,136)
Other state	5,348,642	6,964,259	7,060,862	96,603
Other local	4,869,068	6,014,294	5,722,316	(291,978)
Total revenues	58,013,384	62,608,321	62,599,753	(8,568)
Expenditures:				
Certificated salaries	22,666,806	22,734,986	22,820,547	(85,561)
Classified salaries	5,700,548	6,526,425	6,539,910	(13,485)
Employee benefits	14,824,935	15,748,757	15,769,966	(21,209)
Books and supplies	1,133,762	2,105,401	1,668,922	436,479
Services and other operating expenditures	9,674,758	14,135,565	13,098,206	1,037,359
Capital outlay	292,000	663,403	647,921	15,482
Other outgo	1,551,765	119,242	103,284	15,958
Total expenditures	55,844,574	62,033,779	60,648,756	1,385,023
Excess (deficiency) of revenues over (under) expenditures	2,168,810	574,542	1,950,997	1,376,455
Other financing sources (uses):				
Transfers in	521,000	521,000	521,000	-
Transfers out	(286,610)	(217,167)	(187,167)	30,000
Total other financing sources (uses)	234,390	303,833	333,833	30,000
Change in fund balance	2,403,200	878,375	2,284,830	1,406,455
Fund balances beginning	2,611,057	2,611,057	2,611,057	-
Fund balances ending	$ 5,014,257	$ 3,489,432	$ 4,895,887	$ 1,406,455

Cotati-Rohnert Park Unified School District
Schedule of Pension Plan Contributions
For the Fiscal Year Ended June 30, 2016

CalPERS	2016	2015
Contractually Required Contributions (Actuarially Determined)	$ 636,568	$ 546,194
Contributions in Relation to Actuarially Determined Contributions	636,568	546,194
Contribution Deficiency (Excess)	-	-
Covered Employee Payroll	**$ 5,371,882**	**$ 4,732,430**
Contributions as a Percentage of Covered Payroll	**11.85%**	**11.54%**

Notes to Schedule:

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

STRS	2016	2015
Contractually Required Contributions (Actuarially Determined)	$ 1,546,838	$ 1,014,300
Contributions in Relation to Actuarially Determined Contributions	1,546,838	1,014,300
Contribution Deficiency (Excess)	-	-
Covered Employee Payroll	**$ 14,483,502**	**$ 12,368,700**
Contributions as a Percentage of Covered Payroll	**10.68%**	**8.20%**

Notes to Schedule:

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

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

Cotati-Rohnert Park Unified School District
Schedule of Proportionate Share of Net Pension Liabilities
For the Fiscal Year Ended June 30, 2016

CalPERS	2016	2015
District's Proportion of Net Pension Liability	0.04620%	0.04540%
District's Proportionate Share of Net Pension Liability	$ 6,814,113	$ 5,154,005
District's Covered Employee Payroll	$ 5,371,882	$ 4,732,430
District's Proportionate Share of NPL as a % of Covered Employee Payroll	**126.85%**	**108.91%**
Plan's Fiduciary Net Position as a % of the TPL	**79.14%**	**83.38%**

STRS	2016	2015
District's Proportion of Net Pension Liability	0.04239%	0.04500%
District's Proportionate Share of Net Pension Liability	$ 28,536,952	$ 25,282,350
District's Covered Employee Payroll	$ 14,483,502	$ 12,368,700
District's Proportionate Share of NPL as a % of Covered Employee Payroll	**197.03%**	**204.41%**
Plan's Fiduciary Net Position as a % of the TPL	**75.53%**	**76.52%**

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

SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds
Combining Schedules

Cotati-Rohnert Park Unified School District
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Special Revenue Funds		Capital Projects Funds		
	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Nonmajor Governmental Funds
Assets					
Cash and investments	$ 134,575	$ -	$ 957,361	$ 29,882	$ 1,121,818
Accounts receivable	172,478	-	-	-	172,478
Due from other funds	-	-	-	60,437	60,437
Prepaid expenditures	56	-	-	-	56
Stores inventories	16,241	-	-	-	16,241
Total Assets	$ 323,350	$ -	$ 957,361	$ 90,319	$ 1,371,030
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 128,128	$ -	$ 16,767	$ -	$ 144,895
Due to other funds	79,690	-	-	-	79,690
Unearned revenue	9,485	-	-	-	9,485
Total Liabilities	217,303	-	16,767	-	234,070
Fund Balances:					
Nonspendable revolving funds	200	-	-	-	200
Nonspendable stores inventories	16,241	-	-	-	16,241
Nonspendable prepaid expenditures	56	-	-	-	56
Restricted for cafeteria programs	89,550	-	-	-	89,550
Restricted for capital projects	-	-	-	90,319	90,319
Assigned for capital facilities projects	-	-	940,594	-	940,594
Total Fund Balances	106,047	-	940,594	90,319	1,136,960
Total Liabilities and Fund Balances	$ 323,350	$ -	$ 957,361	$ 90,319	$ 1,371,030

Cotati-Rohnert Park Unified School District
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2016

	Special Revenue Funds		Capital Projects Funds		
	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Nonmajor Governmental Funds
Revenues:					
LCFF sources	$ -	$ -	$ -	$ -	$ -
Federal revenue	1,096,640	-	-	-	1,096,640
Other state	91,331	-	-	-	91,331
Other local	483,423	-	515,365	609,998	1,608,786
Total revenues	1,671,394	-	515,365	609,998	2,796,757
Expenditures:					
Pupil services:					
Food services	1,765,581	-	-	-	1,765,581
General administration:					
All other general administration	-	-	12,051	-	12,051
Plant services	475	65	124,814	-	125,354
Transfers to other agencies	-	-	38,963	-	38,963
Total expenditures	1,766,056	65	175,828	-	1,941,949
Excess (deficiency) of revenues over (under) expenditures	(94,662)	(65)	339,537	609,998	854,808
Other financing sources (uses):					
Transfers in	187,167	-	-	-	187,167
Transfers out	-	-	-	(521,000)	(521,000)
Total other financing sources (uses)	187,167	-	-	(521,000)	(333,833)
Change in fund balances	92,505	(65)	339,537	88,998	520,975
Fund balances beginning	13,542	65	601,057	1,321	615,985
Fund balances ending	$ 106,047	$ -	$ 940,594	$ 90,319	$ 1,136,960

COMPLIANCE SECTION

The Cotati-Rohnert Park Unified School District was established on July 1, 1978. The District is located in Sonoma County and there were no changes in District boundaries during the year. During 2015-16, the District maintained seven elementary schools, two middle schools, and one comprehensive high school. In addition, the District operates one continuation high school and one magnet high school.

The Board of Education for the fiscal year ended June 30, 2016, was comprised of the following members:

Governing Board

Name	Office	Term Expires
Jennifer Wiltermood	President	2016
Tracy Farrell	Clerk	2018
Marc Orloff	Member	2018
Edwin W. Gilardi	Member	2016
Leffler Brown	Member	2018

Administration

Dr. Robert Haley
Superintendent

Dr. Julie Synyard
Assistant Superintendent, Educational Services

Anne Barron
Chief Business Official

Cotati-Rohnert Park Unified School District

Schedule of Average Daily Attendance

For the Fiscal Year Ended June 30, 2016

	Total ADA		Classroom Based	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA:				
Grades TK/K through three	1,703.08	1,695.79	1,697.31	1,691.61
Grades four through six	1,275.88	1,265.92	1,273.69	1,264.35
Grades seven and eight	872.55	872.29	872.45	872.22
Grades nine through twelve	1,748.00	1,727.77	1,745.05	1,724.33
Regular ADA Totals	5,599.51	5,561.77	5,588.50	5,552.51
Extended year special education:				
Grades TK/K through three	1.54	1.54	1.54	1.54
Grades four through six	1.16	1.16	1.16	1.16
Grades seven and eight	0.53	0.53	0.53	0.53
Grades nine through twelve	0.33	0.33	0.33	0.33
Special education - nonpublic, nonsect. schools:				
Grades TK/K through three	2.00	1.99	2.00	1.99
Grades four through six	5.57	5.56	5.57	5.56
Grades seven and eight	4.27	4.01	4.27	4.01
Grades nine through twelve	21.64	20.55	21.64	20.55
Extended year special education - nonpublic, nonsect. schools:				
Grades TK/K through three	0.19	0.19	0.19	0.19
Grades four through six	0.53	0.53	0.53	0.53
Grades seven and eight	0.54	0.54	0.54	0.54
Grades nine through twelve	1.89	1.89	1.89	1.89
ADA Totals	5,639.70	5,600.59	5,628.69	5,591.33

Cotati-Rohnert Park Unified School District

Schedule of Instructional Time Offered

For the Fiscal Year Ended June 30, 2016

Grade Level	Minutes Requirements	2016 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	49,540	180	0	In compliance
Grade 1	50,400	55,170	180	0	In compliance
Grade 2	50,400	55,170	180	0	In compliance
Grade 3	50,400	55,170	180	0	In compliance
Grade 4	54,000	55,170	180	0	In compliance
Grade 5	54,000	55,170	180	0	In compliance
Grade 6	54,000	55,170	180	0	In compliance
Grade 7	54,000	57,120	180	0	In compliance
Grade 8	54,000	57,120	180	0	In compliance
Grade 9	64,800	65,340	180	0	In compliance
Grade 10	64,800	65,340	180	0	In compliance
Grade 11	64,800	65,340	180	0	In compliance
Grade 12	64,800	65,340	180	0	In compliance

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

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

This schedule is provided to list all charter schools authorized by the District and indicates whether or not each charter school is included in the District audit.

Charter School	Status
Credo High School	Independent separate legal entity excluded from the District's financial statements
Academy of Arts & Sciences – Sonoma	Independent separate legal entity excluded from the District's financial statements

Cotati-Rohnert Park Unified School District

Schedule of Financial Trends and Analysis

For the Fiscal Year Ended June 30, 2016

	(Budget [1]) 2017	2016	2015	2014
General Fund				
Revenues and other financial sources	$ 62,518,550	$ 63,120,753	$ 53,886,509	$ 48,759,673
Expenditures	61,700,229	60,648,756	53,511,745	50,149,422
Other uses and transfers (out)	272,171	187,167	137,000	100
Total outgo	61,972,400	60,835,923	53,648,745	50,149,522
Change in fund balance	$ 546,150	$ 2,284,830	$ 237,764	$ (1,389,849)
Ending fund balance	$ 5,442,037	$ 4,895,887	$ 2,611,057	$ 2,373,293
Available reserves [(2)]	$ 2,131,719	$ 1,898,299	$ 1,645,727	$ 1,504,466
Reserve for economic uncertainties	$ 1,910,299	$ 1,898,299	$ 1,645,727	$ 1,340,131
Unassigned fund balance	$ 221,420	$ -	$ -	$ 164,335
Available reserves as a percentage of total outgo	3.4%	3.1%	3.1%	3.0%
Total long-term debt	$ 127,030,698	$ 135,334,843	$ 113,065,728	$ 59,396,282
Average daily attendance (ADA) at P-2	5,642	5,640	5,575	5,532

ADA has increased by 108 over the past three years. The District budget reflects an increase of 2 ADA next year.

The general fund balance has increased by $2,522,594 over the past three years. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, other uses (total outgo). The fiscal year 2016/17 budget projects a $546,150 increase in fund balance.

The District has had an operating deficit in two of the past three years. Total long-term debt has increased by $75,938,561 over the past three years due to the issuance of voter-approved general obligation bonds.

[1] Budget numbers are based on the original adopted budget for the fiscal year 2016/17.

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

Cotati-Rohnert Park Unified School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

PROGRAM NAME	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition - National School Lunch Program	10.555 [(1)]	13524	$ 1,062,362
Equipment Assistance Grants	10.579 [(1)]	14906	34,278
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,096,640
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Special Education Cluster			
IDEA Local Assistance - Preschool	84.027	13682	67,371
IDEA Local Assistance	84.027	13379	1,001,024
IDEA Local Assistance - Mental Health	84.027	14468	122,252
IDEA Preschool	84.173	13430	48,736
IDEA Preschool Staff Development	84.173	13431	350
Total Special Education Cluster			1,239,733
Title I, Part A Cluster			
Title I, Basic Grants Low Income and Neglected	84.010	14329	543,162
Total Title I, Part A Cluster			543,162
Title III Cluster			
NCLB: Title III, Immigrant Education Program	84.365	15146	9,534
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.365	14346	263,644
Total Title III Cluster			273,178
Medicaid Cluster			
Medi-Cal Administrative Activities	93.778	10060	132,095
Medi-Cal Billing Option	93.778	10013	111,653
Total Medicaid Cluster			243,748
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	40,836
Title II, Improving Teacher Quality	84.367	14341	172,512
TOTAL U. S. DEPARTMENT OF EDUCATION			2,513,169
TOTAL FEDERAL PROGRAMS			$ 3,609,809

[(1)] Audited as major program

Cotati-Rohnert Park Unified School District
Reconciliation of Annual Financial and Budget Report (SACS)
to the Audited Financial Statements
For the Fiscal Year Ended June 30, 2016

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds
June 30, 2016 Annual Financial and Budget Report Fund Balances	$ 2,997,588	$ 15,376,927	$ 9,108,369	$ 3,035,259
Adjustments and Reclassifications:				
Special Reserve Fund for Other Than Capital Outlay	1,898,299	-	-	(1,898,299)
June 30, 2016 Audited Financial Statements Fund Balances	$ 4,895,887	$ 15,376,927	$ 9,108,369	$ 1,136,960

1. PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

C. Schedule of Charter Schools

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

D. Schedule of Financial Trends and Analysis

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

E. Schedule of Expenditures of Federal Awards

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Uniform Guidance requirements.

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

This schedule provides the information necessary to reconcile the fund balances of all funds reported on the SACS report to the audited financial statements.

2. RESULTS OF RECONCILIATIONS OF EXPENDITURES PER SCHEDULE OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEM

There were no material unreconciled differences between the District's records and the Schedule of Federal Grant Activity as shown on the Schedule of Expenditures of Federal Awards.

3. BASIS OF PRESENTATION – 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 the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS

Chavan & Associates, LLP
Certified Public Accountants

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

Board of Trustees
Cotati-Rohnert Park Unified School District
Rohnert Park, 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 the District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and

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

Purpose of this Report

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

C & A LLP

November 28, 2016
San Jose, California

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY TITLE 2 CFR PART 200 (UNIFORM GUIDANCE)

Board of Trustees
Cotati-Rohnert Park Unified School District
Rohnert Park, California

Report on Compliance for Each Major Federal Program

We have audited Cotati-Rohnert Park Unified School District's (the District) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2016.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the

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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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

C & A LLP

November 28, 2016
San Jose, California

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Chavan & Associates, LLP
Certified Public Accountants

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

Board of Trustees
Cotati-Rohnert Park Unified School District
Rohnert Park, California

Compliance

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Description	Procedures Performed
Local Education Agencies Other than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes

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

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

Opinion

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

C & A LLP

November 28, 2016
San Jose, California

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FINDINGS AND RECOMMENDATIONS

Cotati-Rohnert Park Unified School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weaknesses?	___ Yes x No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes x No
Type of auditor's report issued on compliance over major programs	**Unmodified**
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	___ Yes x No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
10.555	Child Nutrition - National School Lunch Program
10.579	Equipment Assistance Grants

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low risk auditee?	x Yes ___ No

State Awards

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

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - State Award Findings and Questioned Costs

None

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - State Award Findings and Questioned Costs

None