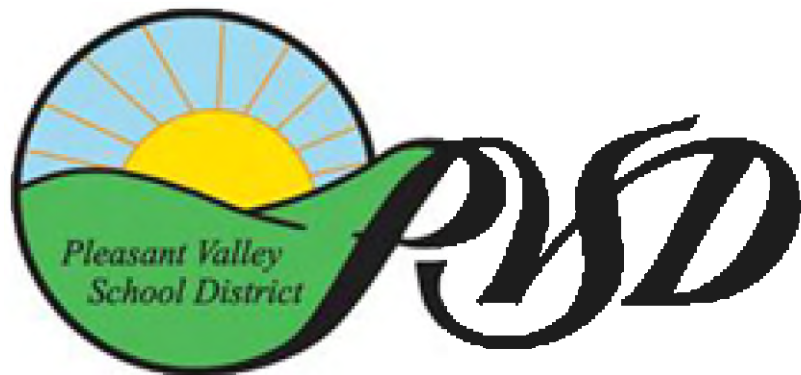


**PLEASANT VALLEY SCHOOL DISTRICT
VENTURA COUNTY**

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



PLEASANT VALLEY SCHOOL DISTRICT

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June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Pleasant Valley School District
Camarillo, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules and combining non-major fund financial statements, and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal regulation Part 200, Uniform Administrative requirements, Costs Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

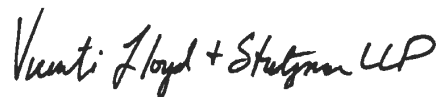
The supplementary section, including the schedule of expenditures of federal awards, and the combining non-major fund financial statements, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

Board of Trustees
Pleasant Valley School District

accepted in the United States of America. In our opinion, the supplementary section, including the schedule of expenditures of federal awards, and the combining non-major fund financial statements is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 13, 2016

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

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the District for the fiscal year ending June 30, 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

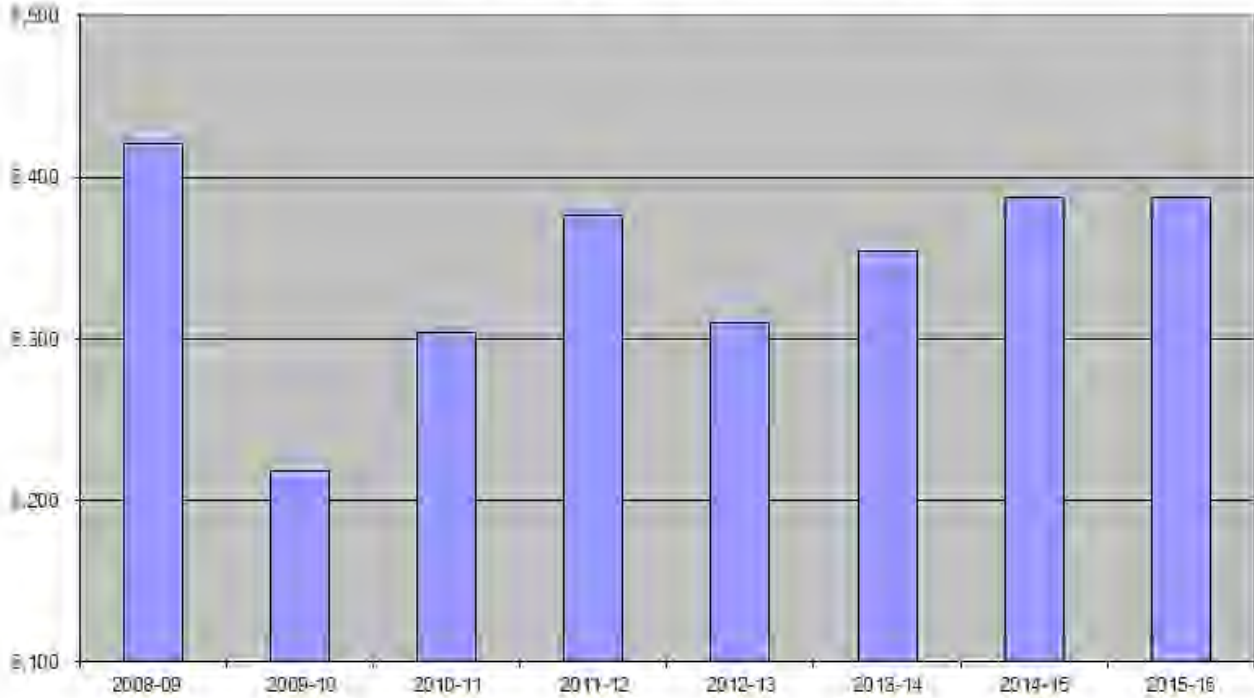
Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statements No. 34 (Basic Financial Statements - and Management's Discussion and Analysis - for the State and Local Governments) issued June 1999. Certain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

This section provides an overview of the District's financial activities.

- The District's financial status remained steady over the course of the year. Total net position of the District decreased by 2% due to the planned spending of prior year carryover.
- During the adoption of the 2015-16 budget, the District Management Team kept priorities aligned with Board goals and the Local Control Accountability Plan in order to balance the District Budget within the parameters of the State Budget.
- At year end, the government-wide revenues were \$71.6 million, representing an increase of 15% from the prior year. This increase was mainly due to an increase in funding of the Local Control Funding Formula.
- The District continues to maintain reserves sufficient to meet the state required minimum Reserve for Economic Uncertainties of 3% of General Fund expenditures.
- The following chart shows the District's Average Daily Attendance (ADA) for the previous eight-year period. Since 2008-09, ADA has fluctuated between a high of 6,421 to a low of 6,218. ADA has remained steady over the last two years.

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

Average Daily Attendance (ADA)



Fund Financial Statements

More detailed information about the District's most significant funds are provided in the fund financial statements. Funds are accounting formats used to keep track of specific sources of funding and expenditures in particular programs. Some funds are required by bond covenants and by state law and other funds are established by the District to control and manage a variety of activities for particular purposes (such as repaying its long-term debt). Other funds may also address specific accounting requirements for certain revenue and expenditure classifications (such as federal grants).

The District maintains two classes of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on how cash and other financial assets can readily be converted to cash flow (in and out) and the balances left at year-end that are available for expenditure in subsequent years. A detailed short-term view is provided by the governmental fund statements. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information is provided in the reconciliation provided after the governmental fund statements that explains the differences (or relationships).

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

Fiduciary fund: The District has several Associated Student Body Funds. For assets that belong to others, such as the student activities funds, the District acts as the trustee, or fiduciary, and is responsible for ensuring that the assets reported in these funds are only used for their intended purpose and by those to whom the assets belong. These activities are excluded from the government-wide financial statements, as the assets cannot be used to finance other District operations.

Funds used by the District for the current fiscal year are outlined on pages 12 and 13 of the report.

Statement of Net Position

The Statement of Net Position presents the assets and liabilities of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Position is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning assets (current and non-current), deferred outflows of resources, liabilities (current and non-current), deferred inflows of resources and net position.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine the amount owed by the District to vendors and employees. Finally, the Statement of Net Position provides a picture of the net position and the availability of those assets for expenditure.

The net between total assets and deferred outflows of resources less total liabilities and deferred inflows of resources (net position) is one indicator of the current financial condition of the District, and the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation.

As of June 30, 2015, the District implemented GASB Statements No. 68 and 71, which requires districts to report their proportionate share of CalSTRS and CalPERS unfunded portion of pension benefits. Notes 13 to the financial statements provide additional information on employee retirement plans.

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

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Assets		
Cash	\$ 20,330,206	\$ 25,235,713
Accounts receivable	3,023,589	2,942,531
Prepaid expenses	6,926	90,499
Capital assets, net	<u>79,089,314</u>	<u>75,748,046</u>
Total Assets	<u>102,450,035</u>	<u>104,016,789</u>
Deferred Outflows of Resources		
Deferred outflows - pensions	<u>3,846,013</u>	<u>9,755,092</u>
Liabilities		
Other liabilities	4,608,319	6,617,404
Long-term debt outstanding	<u>71,630,057</u>	<u>82,507,743</u>
Total Liabilities	<u>76,238,376</u>	<u>89,125,147</u>
Deferred Inflows of Resources		
Deferred inflows - pensions	<u>9,809,413</u>	<u>4,723,147</u>
Net Position		
Net investment in capital assets	45,717,947	44,386,850
Restricted	4,923,370	6,941,908
Unrestricted	<u>(30,393,058)</u>	<u>(31,405,171)</u>
Total Net Position	<u>\$ 20,248,259</u>	<u>\$ 19,923,587</u>

- Cash with the District is also explained in the notes to the financial statements and is invested with the Ventura County Treasury to maximize interest income.
- Accounts receivable are mainly amounts due from federal and state government sources for the operation of categorical programs as well as for ongoing operational costs.
- The \$3.3 million decrease in net capital assets primarily reflects the impact of increased accumulated depreciation.
- Other liabilities consist mainly of the cost of supplies and/or services received during the 2015-16 fiscal year and paid in the 2016-17 year.
- The \$10.9 million increase in long-term debt was caused by the increase valuations of the net pension liability.

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

Statement of Activities

Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Activities. The purpose of this statement is to present the revenues earned, whether received or not, by the District, and the expenses incurred, whether paid or not, by the District. Thus, this Statement presents the District's results of operations.

The Statement of Activities is summarized below:

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,624,705	\$ 1,903,077
Operating grants and contributions	9,075,143	10,923,603
General revenues:		
Property taxes	22,399,216	26,669,226
Grants, subsidies and contributions unrestricted	25,880,230	29,129,053
Interest and investment earnings	63,602	109,538
Miscellaneous	3,371,878	2,829,407
Total revenues	<u>62,414,774</u>	<u>71,563,904</u>
Expenses		
Instruction	37,288,700	41,298,388
Instruction-related services	5,961,639	6,610,576
Pupil services	4,335,748	4,877,583
Ancillary services	31,372	37,939
Community services	1,093,507	1,295,384
General administration	3,826,144	4,473,765
Plant services	5,286,406	5,610,606
Other outgo & debt service	3,346,060	3,325,433
Depreciation (unallocated)	3,253,013	3,266,962
<i>Special item- write-down of capital assets</i>		1,091,940
Total expenses	<u>64,422,589</u>	<u>71,888,576</u>
Change in net position	<u>(2,007,815)</u>	<u>(324,672)</u>
Net position, beginning of year, as originally stated	64,613,390	20,248,259
Cumulative effect of change in accounting principle	(42,357,316)	-
Net position, beginning of year, as restated	<u>22,256,074</u>	<u>20,248,259</u>
Net position, end of year	<u>\$ 20,248,259</u>	<u>\$ 19,923,587</u>

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

- Governmental funds revenues increased by 16% primarily due to an increase in funding of the Local Control Funding Formula.
- Governmental funds expenses increased by 9% from the prior year due to a 6% salary increase for employees and planned spending of prior year program carryover funds.
- Representing 84% of the General Fund, salaries and benefits comprise the largest expenditures of the District. Certificated and classified salaries are adjusted annually for compensation increases, step and column adjustments and staffing changes.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2016, the District had \$44.4 million invested in capital assets, net of associated debt, primarily related to school construction and other capital improvements.

Note 7 to the financial statements provide additional information on capital assets. A summary of capital assets is presented below:

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Land	\$ 14,908,761	\$ 14,908,761
Buildings and improvements	104,481,438	104,484,828
Site improvements	2,739,743	3,056,077
Machinery and equipment	4,691,191	4,335,948
Construction in progress	<u>269,118</u>	<u>-</u>
Total	127,090,251	126,785,614
Less: accumulated depreciation	<u>(48,000,937)</u>	<u>(51,037,568)</u>
Net capital assets	<u>\$ 79,089,314</u>	<u>\$ 75,748,046</u>

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

Debt

Note 8 to the financial statements provides additional information on outstanding debt. A summary of the District's outstanding debt at year-end is presented below:

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
General obligation bonds	\$ 32,125,000	\$ 30,720,000
Certificates of participation	1,246,367	948,276
Early retirement incentive	1,700	308,544
Other postemployment benefits (OPEB)	1,323,192	1,784,576
Net pension liability	36,495,972	48,378,076
Compensated absences	437,826	368,271
Total long-term liabilities	<u>\$ 71,630,057</u>	<u>\$ 82,507,743</u>

Governmental Funds

All Governmental Funds are summarized below:

Governmental Funds	Fund Balance		
	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>Difference</u>
General	\$ 14,447,699	\$ 16,307,001	\$ 1,859,302
Cafeteria	294,892	354,716	59,824
Deferred Maintenance	822,361	1,090,877	268,516
Building	305,397	307,080	1,683
Capital Facilities	1,205,373	1,825,622	620,249
Debt Service	2,471,733	2,525,314	53,581
Totals	<u>\$ 19,547,455</u>	<u>\$ 22,410,610</u>	<u>\$ 2,863,155</u>

- There was an increase of \$1.9 million in the General Fund primarily due to an increase in funding of Local Control Funding Formula of \$3.9 million and state one time monies of \$4.0 million offset by increase in salary and benefit expenditures of \$5.3 million.
- The Deferred Maintenance Fund ending balance increased by \$269 thousand due to the general fund transfer exceeding total expenditures for the year.
- The increase in the Capital Facilities Fund of \$620 thousand is due to the receipt of developer fees and redevelopment agency funds exceeding planned projects for the year.

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

General Fund Budget Information

During the fiscal year, the Board of Trustees authorized revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A budgetary comparison schedule for the general fund is presented on page 42.

Variations between the original and final budget amounts were in part created by increased state funding and carryover of program funds from one year to the next. These amounts were unknown at the time the original budget was adopted.

Variations between final budget amounts and actual results were mainly a result of programs not fully spent in the fiscal year. This resulted in significant funds that were carried forward into the 2015-16 fiscal year. Expenditures were 5% less than the final budget amounts.

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The District begins the budget process in January of each year, to be completed by June 30th. After updating changes in revenue and expenditure assumptions, the operating budget begins at the school level. The District uses staffing allocation formulas, per pupil allocations for site supplies, and a review of historical cost data to develop a preliminary budget. The Board of Trustees begins the budget process by establishing District goals and budget priorities. The Local Control Accountability Plan (LCAP) outlines the instructional and financial goals for the District and is written using the input of staff, students, parents, and community members. The budget is aligned to support the goals identified in the LCAP.

The budget cycle continues into the following fiscal year with the preparation of a 45-day budget revision (accepted 45 days from the date the governor signs the state budget) and two Interim reports (October 31st and January 31st) reviewed and approved by the Board. Site and department budgets are reviewed regularly to ensure management is aware of any significant variations during the year.

PLEASANT VALLEY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

Economic Factors that may affect the Future

LOCAL CONTROL FUNDING FORMULA - On July 1, 2013, the Local Control Funding Formula (LCFF) replaced revenue limit funding and more than 40 categorical programs with base grants per pupil, plus supplemental funding provided via percentage “weights” for students who are English Learners, from low-income families, or in foster care. The LCFF calculates a target for each district and determines the gap between that target and prior year funding. While the state’s intention is to fully fund the target within seven years, there is nothing in statute to ensure this timeline is met.

Projected Student Average Daily Attendance (ADA) - ADA has increased over the last two years and but is expected to remain flat over the next few years. With the flat ADA the district will receive very little increase in funding for our current students.

Year	ADA	Percent Growth %
2008-09 (actual)	6,421	2.5%
2009-10 (actual)	6,218	(3.2%)
2010-11 (actual)	6,304	1.4%
2011-12 (actual)	6,376	1.1%
2012-13 (actual)	6,310	(1.0%)
2013-14 (actual)	6,354	0.7%
2014-15 (actual)	6,387	0.5%
2015-16 (actual)	6,388	0.0%

Note: The above figures reflect total District P2 ADA, including Special Education.

Ending Fund Balance Projection - The District’s 2016-17 ending fund balance is projected to meet and exceed the required 3% contingency reserve requirement. Reserves beyond the 3% requirement are maintained to assist the District with future purchases of textbooks and responding to downturns in the economy and school funding.

Contacting the District’s Financial Management

This financial report is designed to provide the community, investors, and creditors with a general overview of the District’s financial condition and to show the District’s accountability for the funding it receives. If you have questions regarding this report or need additional financial information, contact:

Kathy English
Chief Business Official
Pleasant Valley School District
600 Temple Avenue, Camarillo, California 93010
PHONE (805) 445-8628 FAX (805) 987-5511

FINANCIAL SECTION

PLEASANT VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash in county treasury	\$ 25,230,463
Cash and cash equivalents	5,250
Accounts receivable	2,942,531
Prepaid expenses	90,499
Land	14,908,761
Depreciable assets, net	<u>60,839,285</u>
Total Assets	<u>104,016,789</u>
 <u>Deferred Outflows of Resources</u>	
Deferred outflows - pensions	<u>9,755,092</u>
Total Deferred Outflows of Resources	<u>9,755,092</u>
 <u>Liabilities</u>	
Accounts payable	5,858,085
Accrued interest	759,271
Unearned revenue	48
Current portion of long-term liabilities	1,950,158
Non-current portion of long term liabilities	<u>80,557,585</u>
Total Liabilities	<u>89,125,147</u>
 <u>Deferred Inflows of Resources</u>	
Deferred inflows - pensions	<u>4,723,147</u>
Total Deferred Inflows of Resources	<u>4,723,147</u>
 <u>Net Position</u>	
Net investment in capital assets	44,386,850
Restricted for:	
Capital projects	1,825,622
Debt service	1,766,043
Educational programs	3,350,243
Unrestricted	<u>(31,405,171)</u>
Total Net Position	<u>\$ 19,923,587</u>

See accompanying notes to the financial statements.

PLEASANT VALLEY SCHOOL DISTRICT

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

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction	\$ 41,298,388	\$ 691,740	\$ 7,529,241	\$ (33,077,407)
Instruction - related services	6,610,576	35,789	490,886	(6,083,901)
Pupil services	4,877,583	598,821	1,354,392	(2,924,370)
Ancillary services	37,939	-	911	(37,028)
Community services	1,295,384	-	26,733	(1,268,651)
General administration	4,473,765	89,766	455,075	(3,928,924)
Plant services	5,610,606	2,138	87,757	(5,520,711)
Other outgo	1,460,091	484,823	978,608	3,340
Debt service - interest	1,865,342	-	-	(1,865,342)
Depreciation (unallocated)	3,266,962	-	-	(3,266,962)
Total Governmental Activities	\$ 70,796,636	\$ 1,903,077	\$ 10,923,603	(57,969,956)
General Revenues				
Property taxes levied for				
General purposes				23,349,789
Debt service				3,319,437
Federal and state aid not restricted to specific purposes				29,129,053
Interest and investment earnings				109,538
Miscellaneous				2,829,407
<i>Special item- write-off of capital assets</i>				(1,091,940)
Total General Revenues				57,645,284
Change in net position				(324,672)
Net Position - Beginning of Year				20,248,259
Net Position - End of Year				\$ 19,923,587

See accompanying notes to the financial statements.

PLEASANT VALLEY SCHOOL DISTRICT

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

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash in county treasury	\$ 20,031,398	\$ 5,199,065	\$ 25,230,463
Cash and cash equivalents	5,250	-	5,250
Accounts receivable	2,684,868	257,663	2,942,531
Due from other funds	88,346	908,564	996,910
Prepaid expenditures	90,499	-	90,499
Total Assets	\$ 22,900,361	\$ 6,365,292	\$ 29,265,653
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 5,684,748	\$ 173,337	\$ 5,858,085
Due to other funds	908,564	88,346	996,910
Unearned revenue	48	-	48
Total Liabilities	6,593,360	261,683	6,855,043
 Fund Balances			
Nonspendable	95,748	-	95,748
Restricted	2,995,527	5,012,732	8,008,259
Committed	-	1,090,877	1,090,877
Assigned	8,042,902	-	8,042,902
Unassigned	5,172,824	-	5,172,824
Total Fund Balances	16,307,001	6,103,609	22,410,610
Total Liabilities and Fund Balances	\$ 22,900,361	\$ 6,365,292	\$ 29,265,653

See accompanying notes to the financial statements.

PLEASANT VALLEY SCHOOL DISTRICT

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

Total fund balances - governmental funds \$ 22,410,610

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

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

Land	\$ 14,908,761	
Depreciable assets, net	<u>60,839,285</u>	75,748,046

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

General obligation bonds	(30,720,000)	
Certificates of Participation (COPS)	(948,276)	
Early retiree incentive	(308,544)	
Net pension liability	(48,378,076)	
Other postemployment benefits other than pensions (OPEB)	(1,784,576)	
Compensated absences	<u>(368,271)</u>	(82,507,743)

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

Deferred outflows - pensions	9,755,092	
Deferred inflows - pensions	<u>(4,723,147)</u>	5,031,945

Accrued interest on long term debt, that is the amount of interest due from the last payment made until the end of the fiscal period June 30, 2016, consist of: (759,271)

Total net position - governmental activities \$ 19,923,587

PLEASANT VALLEY SCHOOL DISTRICT

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

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Local control funding formula sources:			
State apportionments	\$ 25,881,547	\$ 908,564	\$ 26,790,111
Local sources	20,885,065	-	20,885,065
Total local control funding formula sources	46,766,612	908,564	47,675,176
Federal sources	2,547,240	1,271,343	3,818,583
Other state sources	7,128,520	121,258	7,249,778
Other local sources	8,316,496	4,862,532	13,179,028
Total Revenues	<u>64,758,868</u>	<u>7,163,697</u>	<u>71,922,565</u>
Expenditures			
Instruction	40,478,673	-	40,478,673
Instruction - related services	6,504,979	-	6,504,979
Pupil services	3,199,302	1,837,705	5,037,007
Ancillary services	36,870	-	36,870
Community services	1,247,163	-	1,247,163
General administration	4,335,167	88,345	4,423,512
Plant services	5,115,787	1,151,113	6,266,900
Other outgo	1,460,091	-	1,460,091
Debt service	327,170	3,277,045	3,604,215
Total Expenditures	<u>62,705,202</u>	<u>6,354,208</u>	<u>69,059,410</u>
Excess of revenues over expenditures	<u>2,053,666</u>	<u>809,489</u>	<u>2,863,155</u>
Other Financing Sources (Uses)			
Interfund transfers in	-	194,364	194,364
Interfund transfers out	(194,364)	-	(194,364)
Total Other Financing Sources (Uses)	<u>(194,364)</u>	<u>194,364</u>	<u>-</u>
Net changes in fund balance	1,859,302	1,003,853	2,863,155
Fund Balances at Beginning of Year	<u>14,447,699</u>	<u>5,099,756</u>	<u>19,547,455</u>
Fund Balances at End of Year	<u>\$ 16,307,001</u>	<u>\$ 6,103,609</u>	<u>\$ 22,410,610</u>

See accompanying notes to the financial statements.

PLEASANT VALLEY SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds \$ 2,863,155

Amounts reported for governmental activities in the statement of activities are different because:
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,017,634	
Depreciation expense	(3,266,962)	
Deficiency of capital outlay over depreciation expense		(2,249,328)

In governmental funds, the write-off of capital assets is not reported. In the statement of activities, the write-off of capital assets is reported. (1,091,940)

The governmental funds report repayment of debt principal as an expenditure and interest associated with debt is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, principal payments are excluded and interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of debt and related items is as follows:

Repayment of general obligation bond principal	1,405,000	
Repayment of certificates of participation principal	298,091	
Decrease in accrued interest expense	35,782	
		1,738,873

In governmental funds, pension costs are recognized when the employer contribution is made, but in the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual basis pension costs and actual employer contributions was: (886,759)

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

Net increase in early retiree incentive	(306,844)	
Increase in other postemployment benefits other than pensions (OPEB)	(461,384)	
Decrease in compensated absences	69,555	
		(698,673)

Change in net position of governmental activities \$ (324,672)

See accompanying notes to the financial statements.

PLEASANT VALLEY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	<u>Associated Student Body Funds</u>
<u>Assets</u>	
Cash in county treasury	\$ 108,078
Cash in banks	<u>17,426</u>
Total Assets	<u>125,504</u>
 <u>Liabilities</u>	
Accounts payable	<u>4,221</u>
Total Liabilities	<u>4,221</u>
 <u>Net Position</u>	
Unrestricted	<u>121,283</u>
Total Net Position	<u><u>\$ 121,283</u></u>

See accompanying notes to the financial statements.

PLEASANT VALLEY SCHOOL DISTRICT

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

	<u>Associated Student Body Funds</u>
Additions	
Revenue from local sources	\$ 216,008
Total Additions	<u>216,008</u>
Deductions	
Other expenses	<u>198,320</u>
Total Deductions	<u>198,320</u>
Changes in net position	17,688
Net Position - Beginning of Year	<u>103,595</u>
Net Position - End of Year	<u><u>\$ 121,283</u></u>

See accompanying notes to the financial statements.

PLEASANT VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Presentation

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

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

Government-Wide Financial Statements

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

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

PLEASANT VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Financial Statements

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

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

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

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

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

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

Community Services: includes activities that provide services to community participants other than students.

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

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

Other Outgo: includes transfers to other agencies.

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

The fiduciary fund expenses are presented by natural classification.

Fund Accounting

To ensure compliance with the California Education Code, the financial resources of the District

PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations, and equities.

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

Governmental Funds – Major

General Fund: used to account for all financial resources except those required to be accounted for in another fund. The Child Development Fund does not meet the definition of a special revenue fund as it is not primarily composed of restricted or committed revenue sources. Therefore, all activities of this fund is reported in the General Fund.

Governmental Funds – Non-Major

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

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

Deferred Maintenance Fund: used for the purpose of major repair or replacement of District property. The District has taken formal action to commit state apportionment funding from the local control funding formula to this fund for the continued operation of the original program. The fund, therefore, meets the requirements to be reported as a Special Revenue fund.

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

Building Fund: for resources received from old bond issues and the sale of school sites. The resources are to be used for future construction.

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

PLEASANT VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Debt Service Fund: used to account for the payment of principal and interest on general long-term debt.

Fiduciary Funds

Associated Student Body Fund: used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body. All school site student body fund activity is processed through the District and reported as a single fund.

Basis of Accounting

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

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Cash and Cash Equivalents

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

Receivables

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible. Per Education Code Section 33128.1, a local education agency may recognize for budgetary and financial reporting purposes any amount of

PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

Prepaid Expenses/Expenditures

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense/expenditure is reported in the year in which goods or services are consumed.

Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	15-40 years
Furniture and Equipment	5-20 years
Vehicles	10-20 years

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

PLEASANT VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Unearned Revenue

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

Compensated Absences

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

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

Long-Term Obligations

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

Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the

PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Deferred Inflows of Resources

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

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

Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net 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 improvements of those assets. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

Fund Balance Classification

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

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

PLEASANT VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Spending Order Policy

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

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

Minimum Fund Balance Policy

The District does not have a written minimum fund balance policy. To protect against revenue shortfalls and unexpected one-time expenditures, the District has maintained a reserve for economic uncertainties consisting of unassigned amounts equivalent to 3% of budgeted General Fund expenditures and other financing uses. These amounts represent the minimum recommended reserve consistent with the criteria and standards for fiscal solvency adopted by the State Board of Education. In addition, the District has maintained an additional Budget Stabilization consisting of unassigned amounts to assist in economic uncertainties.

PLEASANT VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

State Apportionments

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

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1st. Taxes are payable in two installments on November 1st and February 1st. Unsecured property taxes are payable in one installment on or before August 31st.

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

On-Behalf Payments

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

Contributed Services

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

PLEASANT VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

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

Reporting Entity

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

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

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

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

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

Based upon the application of the criteria listed above, the following potential component units have been excluded from the District's reporting entity:

PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pleasant Valley Education Foundation: The Foundation is a separate not-for-profit corporation. The Foundation is not included as a component unit because the third criterion was not met; the economic resources received and held by the Foundation are not significant to the District. Separate financial statements for the Foundation may be obtained through the District.

Various PTA, PTO, and Booster Clubs: Each of these types of organizations at each of the school sites within the District were evaluated using the three criterion listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO, and Booster Club individually are not significant to the District.

The University Preparation Schools (UPS): A charter school approved by the District's Board of Trustees on October 11, 2011 which started operations in September 2002. UPS is a separate not-for-profit corporation. The Board of Directors are elected independent of any District Board of Trustee's appointments. The UPS Board is responsible for approving their own budgets and accounting related activities. Separate financial statements for UPS may be obtained through the District.

The following potential component unit has been included in the District's reporting entity:

The Pleasant Valley School District Educational Facilities Corporation: The financial activity, including the Certificated of Participation issued by the Corporation, are included in the statement of net position. Pass-through activity for debt service payments between the District and the Corporation are eliminated. Individually prepared financial statements are not prepared for the Corporation.

NOTE 2: BUDGETS

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

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 budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section.

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

PLEASANT VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2016, none of the District's bank balance was exposed to credit risk.

Cash in County

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

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

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

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

PLEASANT VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 4: ACCOUNTS RECEIVABLE

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

<u>Accounts Receivable</u>	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Federal and state	\$ 2,142,554	\$ 53,227	\$ 2,195,781
Miscellaneous	542,314	204,436	746,750
Total accounts receivable	<u>\$ 2,684,868</u>	<u>\$ 257,663</u>	<u>\$ 2,942,531</u>

NOTE 5: INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables

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

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General Fund	\$ 88,346	\$ 908,564
Non-Major Governmental Funds:		
Cafeteria Fund	-	88,346
Deferred Maintenance Fund	908,564	-
Total	<u>\$ 996,910</u>	<u>\$ 996,910</u>

Interfund Transfers

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

Interfund transfers for the 2015-16 fiscal year are as follows:

Transfer from the General Fund to the Deferred Maintenance Fund to fund future maintenance projects.	<u>\$ 194,364</u>
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PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 6: FUND BALANCES

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

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:			
Cash in revolving fund	\$ 5,250	\$ -	\$ 5,250
Prepaid expenditures	90,498	-	90,498
Total nonspendable	<u>95,748</u>	<u>-</u>	<u>95,748</u>
Restricted:			
Legally restricted programs	2,995,527	354,716	3,350,243
Construction projects	-	2,132,702	2,132,702
Debt service	-	2,525,314	2,525,314
Total restricted	<u>2,995,527</u>	<u>5,012,732</u>	<u>8,008,259</u>
Committed:			
Deferred Maintenance	-	1,090,877	1,090,877
Total committed	<u>-</u>	<u>1,090,877</u>	<u>1,090,877</u>
Assigned:			
NFL Preschool	4,250	-	4,250
GATE	34,152	-	34,152
Instructional Materials	1,590,639	-	1,590,639
ChromeBooks	11,620	-	11,620
Save Camarillo Schools	10,301	-	10,301
Mandated Costs (one Time Funds)	3,965,705	-	3,965,705
Lost Library Books	8,458	-	8,458
Attendance Incentive	19,563	-	19,563
LCFF Low Income	173,462	-	173,462
LCFF English Learners	75,445	-	75,445
LCAP	1,197,322	-	1,197,322
Teacher Block Grant	50,329	-	50,329
Equipment replacement	192,045	-	192,045
Child care program	709,611	-	709,611
Total assigned	<u>8,042,902</u>	<u>-</u>	<u>8,042,902</u>
Unassigned:			
Economic uncertainties	1,593,777	-	1,593,777
Unassigned	3,579,047	-	3,579,047
Total unassigned	<u>5,172,824</u>	<u>-</u>	<u>5,172,824</u>
Total fund balance	<u>\$ 16,307,001</u>	<u>\$ 6,103,609</u>	<u>\$ 22,410,610</u>

PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 7: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

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

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 14,908,761	\$ -	\$ -	\$ 14,908,761
Construction in progress	269,118	-	269,118	-
Total capital assets not being depreciated	<u>15,177,879</u>	<u>-</u>	<u>269,118</u>	<u>14,908,761</u>
Capital assets being depreciated:				
Buildings	104,481,438	467,363	463,973	104,484,828
Site improvements	2,739,743	316,334	-	3,056,077
Machinery, equipment and vehicles	4,691,191	233,937	589,180	4,335,948
Total capital assets being depreciated	<u>111,912,372</u>	<u>1,017,634</u>	<u>1,053,153</u>	<u>111,876,853</u>
Less accumulated depreciation for:				
Buildings	43,095,717	3,016,100	23,004	46,088,813
Site improvements	1,291,185	148,786	-	1,439,971
Machinery, equipment and vehicles	3,614,035	102,076	207,327	3,508,784
Total accumulated depreciation	<u>48,000,937</u>	<u>3,266,962</u>	<u>230,331</u>	<u>51,037,568</u>
Depreciable assets, net	<u>63,911,435</u>	<u>(2,249,328)</u>	<u>822,822</u>	<u>60,839,285</u>
Capital assets, net	<u>\$ 79,089,314</u>	<u>\$ (2,249,328)</u>	<u>\$ 1,091,940</u>	<u>\$ 75,748,046</u>

NOTE 8: LONG-TERM DEBT – SCHEDULE OF CHANGES

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due in One Year
General obligation bonds- refunding	\$ 32,125,000	\$ -	\$ 1,405,000	\$ 30,720,000	\$ 1,490,000
Certificates of participation	1,246,367	-	298,091	948,276	305,886
Early retirement incentive	1,700	308,544	1,700	308,544	154,272
Other postemployment benefits (OPEB)	1,323,192	461,384	-	1,784,576	-
Net pension liability	36,495,972	11,882,104	-	48,378,076	-
Compensated absences	437,826	-	69,555	368,271	-
Total	<u>\$ 71,630,057</u>	<u>\$ 12,652,032</u>	<u>\$ 1,774,346</u>	<u>\$ 82,507,743</u>	<u>\$ 1,950,158</u>

Liabilities for the early retirement incentive, OPEB, net pension liability and compensated absences are liquidated by the fund recording the associated salary expenses. Certificates of participation are liquidated by the General Fund and Capital Facilities Fund. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption (Debt Service) Fund.

PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 9: GENERAL OBLIGATION BONDS

Several bond series were issued during the time period of 1998-2001. The purpose of these bonds was to finance additional classrooms and repair and refurbishment of existing facilities. On October 2, 2002, the District refinanced all bonds previously issued. The amount of in-substance defeased debt outstanding with the escrow agent at June 30, 2016 is \$32,830,000 and is not recorded in these financial statements.

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

General Obligation Bonds	Date of Issue	Date of Final Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2016
Refunding	10/2/2002	8/1/2031	2.20-5.85	\$ 45,825,000	\$ 30,720,000

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,490,000	\$ 1,793,610	\$ 3,283,610
2018	1,590,000	1,706,153	3,296,153
2019	1,690,000	1,612,845	3,302,845
2020	1,795,000	1,513,688	3,308,688
2021	1,905,000	1,408,388	3,313,388
2022-2026	11,345,000	5,228,145	16,573,145
2027-2031	10,805,000	1,615,478	12,420,478
2032	100,000	2,925	102,925
Total	\$ 30,720,000	\$ 14,881,232	\$ 45,601,232

NOTE 10: CERTIFICATES OF PARTICIPATION

The District originally entered into a long-term lease agreement to provide for the financing of the acquisition and installation of certain items of equipment and capital improvements in 1993. The agreement is between the Pleasant Valley School District as the “lessee” and the Pleasant Valley School District Educational Facilities Corporation, as the “lessor” or “corporation”. The Corporation’s funds for acquiring these items were generated by the issuance of \$4,370,000 of Certificate of Participation, which are tax exempt and therefore issued at interest rates below current market levels for taxable investments.

On May 1, 1997, the Pleasant Valley School District Educational Facilities Corporation issued Refunding Certificates of Participation in the amount of \$4,550,000 with interest rates ranging from 3.8% to 5.7%. The proceeds were used to pay off the 1993 Certificates of Participation.

On June 28, 2012, the Pleasant Valley School District Educational Facilities Corporation issued

PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 10: CERTIFICATES OF PARTICIPATION

Refunding Certificates of Participation in the amount of \$2,100,463 with a stated interest rate of 2.65%. The refunding proceeds were issued to advance refund the 1997 Refunding Certificates of Participation. \$1,933,395 in refunding proceeds were placed into an irrevocable escrow account and were used to call and payoff the refunded certificates during 2012-13.

The annual debt service requirements to maturity for the certificates outstanding are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 305,886	\$ 25,129	\$ 331,015
2018	318,031	17,023	335,054
2019	324,359	8,596	332,955
Total	<u>\$ 948,276</u>	<u>\$ 50,748</u>	<u>\$ 999,024</u>

NOTE 11: EARLY RETIREMENT INCENTIVE PROGRAM

The District adopted an Early Retirement Incentive in 2010 and 2011. Eligible employees that retired prior to a certain date are provided a retirement annuity based upon earnings and length of service. Eighteen and sixteen employees that met the requirements chose to participate in the plan in 2010 and 2011, respectively. Expenditures paid during 2015-16 totaled \$1,700.

In 2016, the District adopted an additional Early Retirement Incentive. Eligible employees that retired prior to June 30, 2016 will receive 10% of their annual salary for two years, up to a maximum of \$10,000, paid in July 2016 and July 2017. Twenty-three employees that met the requirements chose to participate in the plan.

The District's total liability for Early Retirement Incentive programs as of June 30, 2016 is \$308,544.

NOTE 12: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description and Eligibility

The District provides medical coverage to retirees based on the following provisions:

Retiree benefits for employees who retired on or before June 30, 1984:

The District shall provide fully paid medical, dental and/or vision insurance premiums for employees and dependents of employees who retired on or before June 30, 1984, after reaching their 55th birthday, provided said employee had given ten (10) years of satisfactory service to the District. This coverage shall extend for the life of the retired employee.

PLEASANT VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 12: POSTEMPLOYMENT HEALTHCARE BENEFITS

Retiree benefits for employees hired on or before June 30, 1984, who retire after June 30, 1984:

The District shall contribute not more than three thousand nine hundred dollars (\$3,900) per year per retiree and dependents toward medical, dental and/or vision insurance premiums for all qualified employees and dependents of employees who retire after June 30, 1984, after reaching their 55th birthday, provided said employee had given twelve (12) consecutive years of satisfactory service to the District. This coverage shall extend for the life of the retired employee.

Retiree benefits for employees hired after June 30, 1984:

The District shall contribute not more than twenty-four hundred dollars (\$2,400) per year per employee and dependents of employees toward medical, dental and/or vision premiums for all employees hired subsequent to June 30, 1984. The employee shall be required to have reached their 60th birthday and shall be required to have served the District for fifteen (15) consecutive years. This coverage shall extend for the life of the retired employee.

Retiree benefits for employees hired after June 30, 1986 who are eligible for Medicare through District employment and who meet the qualifications of subsection C above receive benefits as outlined below:

The District shall contribute not more than twenty-four hundred (\$2,400) per year per employee and dependents of employees toward medical, dental and/or vision premiums until such time as the employee meets the eligibility requirements for Medicare.

The Retiree Health Plan does not issue a separate financial report.

Funding Policy

The District currently finances benefits on a pay-as-you-go basis. The District contributes the cost of current year premiums for eligible retired plan members and their dependents as applicable. For the year ended June 30, 2016, the District contributed \$764,964 to the plan for current year premiums.

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. The ARC represents a level of funding that, if paid on

PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 12: POSTEMPLOYMENT HEALTHCARE BENEFITS

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, and changes in the OPEB obligation:

Annual OPEB Cost and Net OPEB Obligation	Balance June 30, 2016
Annual required contribution (ARC)	\$ 1,290,013
Interest on net OPEB obligation	59,544
Adjustment to ARC	(123,209)
Annual OPEB cost	1,226,348
Contributions made	(764,964)
Change in net OPEB obligation	461,384
Net OPEB obligation - beginning of year	1,323,192
Net OPEB obligation - end of year	\$ 1,784,576

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for the current and two previous fiscal years is as follows:

Year Ending June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 1,309,798	70.7%	\$ 938,204
2015	1,244,872	69.1%	1,323,192
2016	1,226,348	62.4%	1,784,576

Funding Status and Funding Progress

As of March 1, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$9,979,842. The covered payroll (annual payroll of active employees covered by the plan) was \$29,970,637, and the ratio of the UAAL to the covered payroll was 33.3%. Currently, the District is using the pay as you go method to fund the existing fiscal year payments.

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

PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 12: POSTEMPLOYMENT HEALTHCARE BENEFITS

information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the March 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return, and an annual healthcare cost trend rate of 4.0 percent per year. Both rates included a 2.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is amortized as a level dollar amount on a closed basis over sixteen years for the initial UAAL and on an open basis over fifteen years for the remaining UAAL. The amortization period will expire on the initial UAAL in the fiscal year 2023-24.

NOTE 13: EMPLOYEE RETIREMENT PLANS

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

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

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS (STRP)	\$ 37,028,200	\$ 7,349,014	\$ 3,637,150	\$ 3,596,520
CalPERS (Schools Pool Plan)	11,349,876	2,406,078	1,085,997	1,345,912
Total	<u>\$ 48,378,076</u>	<u>\$ 9,755,092</u>	<u>\$ 4,723,147</u>	<u>\$ 4,942,432</u>

PLEASANT VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 13: EMPLOYEE RETIREMENT PLANS

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

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

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

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

PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 13: EMPLOYEE RETIREMENT PLANS

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

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2016 are presented above and the total District contributions were \$2,979,394.

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

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

	Balance
	June 30, 2016
Proportionate Share of Net Pension Liability	
District proportionate share of net pension liability	\$ 37,028,200
State's proportionate share of the net pension liability associated with the District	19,583,783
Total	<u>\$ 56,611,983</u>

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0550%.

For the year ended June 30, 2016, the District recognized pension expense of \$3,596,520. In addition, the District recognized revenue and expense of \$1,516,984 for support provided by the

PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 13: EMPLOYEE RETIREMENT PLANS

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

<u>Pension Deferred Outflows and Inflows of Resources</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,979,394	\$ -
Difference between expected and actual experience	-	618,750
Difference in proportion	4,369,620	-
Net differences between projected and actual earnings on plan investments	-	3,018,400
Total	<u>\$ 7,349,014</u>	<u>\$ 3,637,150</u>

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

<u>Year Ending June 30,</u>	<u>Amortization</u>
2017	\$ (129,455)
2018	(129,455)
2019	(129,455)
2020	(129,455)
2021	625,145
2022	625,145
Total	<u>\$ 732,470</u>

Actuarial Methods and Assumptions

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

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

PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 13: EMPLOYEE RETIREMENT PLANS

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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

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

Discount Rate

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

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were

PLEASANT VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 13: EMPLOYEE RETIREMENT PLANS

calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.60%)	\$ 55,909,700
Current discount rate (7.60%)	37,028,200
1% increase (8.60%)	21,336,150

Plan Fiduciary Net Position

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

California Public Employees Retirement System (CalPERS)

Plan Description

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

Benefits Provided

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

PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 13: EMPLOYEE RETIREMENT PLANS

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016 are as presented above and the total District contributions were \$1,093,764.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$11,349,876. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0770%.

For the year ended June 30, 2016, the District recognized pension expense of \$1,345,912. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PLEASANT VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 13: EMPLOYEE RETIREMENT PLANS

<u>Pension Deferred Outflows and Inflows of Resources</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,093,764	\$ -
Difference between expected and actual experience	648,662	-
Changes of assumptions	-	697,368
Difference in proportion	663,652	-
Net differences between projected and actual earnings on plan investments	-	388,629
Total	<u>\$ 2,406,078</u>	<u>\$ 1,085,997</u>

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

<u>Year Ending June 30,</u>	<u>Amortization</u>
2017	\$ (5,910)
2018	(25,318)
2019	(208,479)
2020	466,024
Total	<u>\$ 226,317</u>

Actuarial Methods and Assumptions

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

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

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality

PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 13: EMPLOYEE RETIREMENT PLANS

rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

PLEASANT VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 13: EMPLOYEE RETIREMENT PLANS

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 18,472,869
Current discount rate (7.65%)	11,349,876
1% increase (8.65%)	5,426,632

Plan Fiduciary Net Position

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

NOTE 14: JOINT POWERS AGREEMENTS

The District participates in three joint power agreement (JPA) entities, the Ventura County Schools Self-Funding Authority (VCSSFA), the Ventura County Fast Action School Transit Authority (VCFAST) and the Self Insured Schools of California (SISC).

VCSSFA provides workers' compensation, property and liability coverage for its member school districts. The District pays a contribution commensurate with the level of coverage requested.

VCFAST was established July 1, 1995 for the purpose of providing a county wide distribution system for carrying documents and materials to and from the Ventura County Superintendent of Schools Office and participating public agencies.

SISC arranges for health and welfare benefits for employees and retirees of participating school districts and their eligible dependents. Member districts pay a monthly premium per eligible participant.

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

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

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

PLEASANT VALLEY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 14: JOINT POWERS AGREEMENTS

Condensed financial information is as follows:

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

NOTE 15: COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

Litigation

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

NOTE 16: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

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

PLEASANT VALLEY SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2016

**NOTE 16: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE**

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

PLEASANT VALLEY SCHOOL DISTRICT

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

	Budgetary Amounts -		Actual Amounts General Fund (b)	Fund Basis to	Actual
	General Fund			GAAP (a)	Amounts
	Original	Final (b)			GAAP Basis
Revenues					
Local control funding formula sources:					
State apportionments	\$31,070,917	\$26,414,406	\$ 25,881,547	\$ -	\$25,881,547
Local sources	<u>16,394,350</u>	<u>20,907,919</u>	<u>20,885,065</u>	-	<u>20,885,065</u>
Total local control funding formula sources:	47,465,267	47,322,325	46,766,612	-	46,766,612
Federal sources	2,325,108	2,609,748	2,547,240	-	2,547,240
Other state sources	5,164,515	7,134,407	7,128,520	-	7,128,520
Other local sources	<u>5,837,222</u>	<u>6,794,161</u>	<u>6,835,329</u>	<u>1,481,167</u>	<u>8,316,496</u>
Total Revenues	<u>60,792,112</u>	<u>63,860,641</u>	<u>63,277,701</u>	<u>1,481,167</u>	<u>64,758,868</u>
Expenditures					
Certificated salaries	28,431,615	29,114,720	28,754,385	375	28,754,760
Classified salaries	8,669,803	9,106,131	9,106,100	862,265	9,968,365
Employee benefits	11,542,044	13,853,982	13,423,624	258,104	13,681,728
Books and supplies	3,951,892	4,651,343	3,044,301	94,222	3,138,523
Services and other operating expenditures	5,397,231	5,002,985	4,739,501	208,004	4,947,505
Capital outlay	-	581,353	515,405	-	515,405
Other outgo	1,171,785	1,507,260	1,371,746	-	1,371,746
Debt service	<u>360,000</u>	<u>360,000</u>	<u>327,170</u>	-	<u>327,170</u>
Total Expenditures	<u>59,524,370</u>	<u>64,177,774</u>	<u>61,282,232</u>	<u>1,422,970</u>	<u>62,705,202</u>
Excess (deficiency) of revenues over expenditures	<u>1,267,742</u>	<u>(317,133)</u>	<u>1,995,469</u>	<u>58,197</u>	<u>2,053,666</u>
Other Financing Sources Uses					
Interfund transfers out	-	-	(194,364)	-	(194,364)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(194,364)</u>	<u>-</u>	<u>(194,364)</u>
Net change in fund balances	<u>\$ 1,267,742</u>	<u>\$ (317,133)</u>	1,801,105	58,197	1,859,302
Fund Balance - Beginning of Year			<u>13,796,285</u>	<u>651,414</u>	<u>14,447,699</u>
Fund Balance - End of Year			<u>\$ 15,597,390</u>	<u>\$ 709,611</u>	<u>\$16,307,001</u>

(a) amounts presented are the result of the District including activity of the Child Development Fund. (See note 1)

(b) amounts have been revised to reflect the recording of state on-behalf payments to CalSTRS.

See the accompanying notes to the required supplementary information.

PLEASANT VALLEY SCHOOL DISTRICT
SCHEDULE OF POSTEMPLOYMENT HEALTHCARE
BENEFITS FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Unit Cost Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
3/1/2011	\$ -	\$ 10,673,915	\$ 10,673,915	0%	\$ 26,863,524	39.7%
3/1/2013	-	11,872,342	11,872,342	0%	26,548,491	44.7%
3/1/2015	-	9,979,842	9,979,842	0%	29,970,637	33.3%

See the accompanying notes to the required supplementary information.

PLEASANT VALLEY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2016

<u>State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 2,278,095	\$ 2,979,394
Contributions in relation to the contractually required contribution	<u>2,278,095</u>	<u>2,979,394</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$ 25,650,000	 \$ 27,770,000
Contributions as a percentage of covered-employee payroll	8.88%	10.73%
 <u>California Public Employees' Retirement Plan - Schools Pool Plan</u>	 <u>2015</u>	 <u>2016</u>
Contractually required contribution	\$ 1,005,080	\$ 1,093,764
Contributions in relation to the contractually required contribution	<u>1,005,080</u>	<u>1,093,764</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 \$ 8,538,000	 \$ 9,230,000
Contributions as a percentage of covered-employee payroll	11.77%	11.85%

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

See the accompanying notes to the required supplementary information.

PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Budgetary Comparison For The General Fund

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

Schedule of Postemployment Healthcare Benefits Funding Progress

The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedules of District's Proportionate Share of the Net Pension Liability – CalSTRS (STRP) and CalPERS (Schools Pool Plan)

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

Schedules of District Contributions – CalSTRS (STRP) and CalPERS (Schools Pool Plan)

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

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excesses of expenditures over appropriations, by major object accounts, occurred in the General Fund as follows:

Interfund transfers out	\$ 194,364
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SUPPLEMENTARY INFORMATION

PLEASANT VALLEY SCHOOL DISTRICT

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

The Pleasant Valley School District is comprised of an area of approximately forty-nine (49) square miles located in Ventura County. There were no changes in the boundaries of the District during the current year. The district is currently operating one pre-school, seven elementary schools, two middle schools, and two alternative (Grade K-8) schools.

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

BOARD OF TRUSTEES

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Mrs. Suzanne Kitchens	President	December 2016
Mr. Ron Speakman	Clerk	December 2018
Mrs. Kelly Long	Member	December 2016
Ms. Debra Kuske	Member	December 2018
Mr. Bob Rust	Member	December 2018

DISTRICT ADMINISTRATORS

Ms. RaeAnne Michael	Superintendent (Retired June 30, 2016)
Ms. Kathy English	Chief Business and Financial Officer
Dr. Kristal DeVillers	Assistant Superintendent, Curriculum, Instruction and Assessment
Ms. Evalene Murphy	Assistant Superintendent, Human Resources

PLEASANT VALLEY SCHOOL DISTRICT

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

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

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

	<u>Second Period</u>	<u>Audit Adjustment</u>	<u>Audit Adjusted Second Period</u>	<u>Revised Annual</u>
Grades Transitional Kindergarten through third:				
Regular ADA	2,750	(37)	2,713	2,716
Extended year special education	4	-	4	4
Special education - nonpublic, nonsectarian schools	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>
Total grades transitional kindergarten through third ADA	<u>2,755</u>	<u>(37)</u>	<u>2,718</u>	<u>2,721</u>
Grades four through six:				
Regular ADA	2,194	-	2,194	2,194
Extended year special education	4	-	4	4
Special education - nonpublic, nonsectarian schools	<u>3</u>	<u>-</u>	<u>3</u>	<u>3</u>
Total grades four through six ADA	<u>2,201</u>	<u>-</u>	<u>2,201</u>	<u>2,201</u>
Grades seven and eight:				
Regular ADA	1,466	-	1,466	1,464
Extended year special education	2	-	2	2
Special education - nonpublic, nonsectarian schools	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>
Total grades seven and eight ADA	<u>1,469</u>	<u>-</u>	<u>1,469</u>	<u>1,467</u>
Total ADA	<u><u>6,425</u></u>	<u><u>(37)</u></u>	<u><u>6,388</u></u>	<u><u>6,389</u></u>

See the accompanying notes to the supplementary information.

PLEASANT VALLEY SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2016**

Grade Level	Minute Requirement	Actual Minutes	Number of Days	
			Traditional Calendar	Status
Kindergarten	36,000	40,149	180	In Compliance
Grade 1	50,400	50,567	180	In Compliance
Grade 2	50,400	50,567	180	In Compliance
Grade 3	50,400	50,567	180	In Compliance
Grade 4	54,000	57,891	180	In Compliance
Grade 5	54,000	57,891	180	In Compliance
Grade 6	54,000	60,975	180	In Compliance
Grade 7	54,000	60,975	180	In Compliance
Grade 8	54,000	60,975	180	In Compliance

See the accompanying notes to the supplementary information.

PLEASANT VALLEY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30,**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Agriculture			
Pass-Through Program From California Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	13390	\$ 328,496
National School Lunch Program	10.555	13396	942,847
Subtotal: Child Nutrition Cluster			<u>1,271,343</u>
Total: United States Department of Agriculture			<u>1,271,343</u>
United States Department of Education			
Pass-Through Program From California Department of Education:			
Special Education Cluster:			
IDEA Basic Local Assistance Entitlement	84.027	13379	1,202,803
IDEA Local Assistance, Part B, Private Schools ISPs	84.027	10115	5,700
IDEA Federal Preschool Grants	84.173	13430	59,002
IDEA Preschool Local Entitlements	84.027A	13682	126,246
Subtotal: Special Education Cluster			<u>1,393,751</u>
Every Student Succeeds Act:			
Title I, Part A - Low Income and Neglected	84.010	14329	691,803
Title II, Part A - Improving Teacher Quality	84.367	14341	264,888
Title III - Limited English Proficiency	84.365	14346	76,596
Total: United States Department of Education			<u>2,427,038</u>
United States Department of Health and Human Services			
Pass-Through Program From California Department of Education:			
Medi-Cal	93.778	10013	29,568
Total: United States Department of Health and Human Services			<u>29,568</u>
Total Federal Programs			<u>\$ 3,727,949</u>
Reconciliation to Federal Revenue			
Total Federal Program Expenditures			\$ 3,727,949
Revenues in excess of expenditures related to Federal Entitlements:			
Medi-Cal			35,102
Federal Impact Aid: Maintenance and Operations			55,532
Total Federal Program Revenue			<u>\$ 3,818,583</u>

The District is the recipient of a federal award program that does not result in cash receipts or disbursements. The District was granted \$108,818 of commodities under the National School Lunch Program (CFDA 10.555) which is included in the total reported above for this program.

See the accompanying notes to the supplementary information.

PLEASANT VALLEY SCHOOL DISTRICT

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

	2017 (Budgeted)	2016	2015	2014 *
Revenue				
Local control funding formula sources	\$ 49,643,037	\$ 46,766,612	\$ 42,909,329	\$ 39,074,898
Federal sources	2,273,853	2,547,240	2,270,023	2,309,010
Other state sources	2,930,301	7,128,520	3,137,178	2,960,615
Other local sources	5,638,398	6,835,329	6,690,680	6,139,039
Total revenue	<u>60,485,589</u>	<u>63,277,701</u>	<u>55,007,210</u>	<u>50,483,562</u>
Expenditures				
Certificated salaries	29,026,821	28,754,385	26,357,177	24,794,225
Classified salaries	9,002,990	9,106,100	8,144,952	7,288,400
Employee benefits	12,794,665	13,423,624	11,491,759	9,395,771
Books and supplies	6,164,161	3,044,301	3,390,906	2,585,702
Services and other operating expenditures	5,763,933	4,739,501	4,891,913	3,995,683
Capital outlay	630,644	515,405	177,608	42,401
Other outgo	1,168,412	1,371,746	1,303,679	698,384
Debt service	335,000	327,170	338,225	392,892
Interfund transfers out	6,880	194,364	-	-
Total expenditures	<u>64,893,506</u>	<u>61,476,596</u>	<u>56,096,219</u>	<u>49,193,458</u>
Change in fund balance	<u>\$ (4,407,917)</u>	<u>\$ 1,801,105</u>	<u>\$ (1,089,009)</u>	<u>\$ 1,290,104</u>
Ending fund balance	<u>\$ 11,189,473</u>	<u>\$ 15,597,390</u>	<u>\$ 13,796,285</u>	<u>\$ 14,885,294</u>
Available reserve	<u>\$ 5,065,112</u>	<u>\$ 5,172,824</u>	<u>\$ 6,396,843</u>	<u>\$ 7,447,696</u>
Available reserve %	7.8%	8.4%	11.4%	15.1%
ADA	<u>6,424</u>	<u>6,388</u>	<u>6,387</u>	<u>6,354</u>
Total long term debt	<u>\$ 80,557,585</u>	<u>\$ 82,507,743</u>	<u>\$ 71,630,057</u>	<u>\$ 36,498,941</u>

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

Available reserves are those amounts reserved for economic uncertainty, budget stabilization and any other remaining unassigned fund balance from the General Fund. For a District this size, the state recommends a 3% reserve of total General Fund expenditures, transfers out and other uses. For the year ended June 30, 2016, the District has met this requirement.

The 2017 budget is the original budget adopted on June 16, 2016.

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

See the accompanying notes to the supplementary information.

PLEASANT VALLEY SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2016**

Charter School	Included in District Audit Report
University Preparation School at CSU Channel Islands	No
University Charter Middle School CSU at Channel Islands	No

See the accompanying notes to the supplementary information.

PLEASANT VALLEY SCHOOL DISTRICT

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

	<u>General Fund</u>
June 30, 2016 Annual Financial and Budget Report Fund Balance	\$ 16,215,761
Adjustments and Reclassifications:	
Accounts payable - LCFF Adjustment	<u>(618,371)</u>
June 30, 2016 Audited Financial Statement Fund Balance	<u>\$ 15,597,390</u>
General Fund Consolidation:	
General Fund	\$ 15,597,390
Child Development Fund	<u>709,611</u>
Total General Fund	<u>\$ 16,307,001</u>

See the accompanying notes to the supplementary information.

PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District did not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the annual Financial and Budget Report form to the audited financial statements.

OPTIONAL SUPPLEMENTARY INFORMATION

PLEASANT VALLEY SCHOOL DISTRICT

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS**

June 30, 2016

	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
<u>Assets</u>						
Cash in county treasury	\$ 412,756	\$ 258,874	\$ 306,333	\$ 1,700,682	\$ 2,520,420	\$ 5,199,065
Accounts receivable	79,982	950	747	171,090	4,894	257,663
Due from other funds	-	908,564	-	-	-	908,564
Total Assets	\$ 492,738	\$ 1,168,388	\$ 307,080	\$ 1,871,772	\$ 2,525,314	\$ 6,365,292
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 49,676	\$ 77,511	\$ -	\$ 46,150	\$ -	\$ 173,337
Due to other funds	88,346	-	-	-	-	88,346
Total Liabilities	138,022	77,511	-	46,150	-	261,683
Fund Balances						
Restricted	354,716	-	307,080	1,825,622	2,525,314	5,012,732
Committed	-	1,090,877	-	-	-	1,090,877
Total Fund Balances	354,716	1,090,877	307,080	1,825,622	2,525,314	6,103,609
Total Liabilities and Fund Balances	\$ 492,738	\$ 1,168,388	\$ 307,080	\$ 1,871,772	\$ 2,525,314	\$ 6,365,292

See the accompanying notes to the optional supplementary information.

PLEASANT VALLEY SCHOOL DISTRICT

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

	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues						
Local control funding formula sources:						
State apportionments	\$ -	\$ 908,564	\$ -	\$ -	\$ -	\$ 908,564
Federal sources	1,271,343	-	-	-	-	1,271,343
Other state sources	95,361	-	-	-	25,897	121,258
Other local sources	619,170	53,202	1,683	883,748	3,304,729	4,862,532
Total Revenues	<u>1,985,874</u>	<u>961,766</u>	<u>1,683</u>	<u>883,748</u>	<u>3,330,626</u>	<u>7,163,697</u>
Expenditures						
Pupil services	1,837,705	-	-	-	-	1,837,705
General administration	88,345	-	-	-	-	88,345
Plant services	-	887,614	-	263,499	-	1,151,113
Debt service	-	-	-	-	3,277,045	3,277,045
Total Expenditures	<u>1,926,050</u>	<u>887,614</u>	<u>-</u>	<u>263,499</u>	<u>3,277,045</u>	<u>6,354,208</u>
Excess of revenues over expenditures	<u>59,824</u>	<u>74,152</u>	<u>1,683</u>	<u>620,249</u>	<u>53,581</u>	<u>809,489</u>
Other Financing Sources						
Interfund transfers in	-	194,364	-	-	-	194,364
Total Other Financing Sources	<u>-</u>	<u>194,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,364</u>
Net changes in fund balance	59,824	268,516	1,683	620,249	53,581	1,003,853
Fund Balances at Beginning of Year	<u>294,892</u>	<u>822,361</u>	<u>305,397</u>	<u>1,205,373</u>	<u>2,471,733</u>	<u>5,099,756</u>
Fund Balances at End of Year	<u>\$ 354,716</u>	<u>\$ 1,090,877</u>	<u>\$ 307,080</u>	<u>\$ 1,825,622</u>	<u>\$ 2,525,314</u>	<u>\$ 6,103,609</u>

See the accompanying notes to the optional supplementary information.

PLEASANT VALLEY SCHOOL DISTRICT

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

NOTE 1: PURPOSE OF SCHEDULES

Combining Fund Financial Statements

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

OTHER INDEPENDENT AUDITOR'S REPORT



Vicenti, Lloyd & Stutzman, CPAs

**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
Pleasant Valley School District
Camarillo, 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 and the aggregate remaining fund information of Pleasant Valley School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

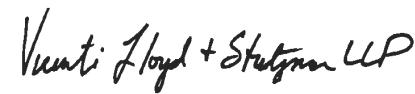
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

District's Response to Findings

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

Purpose of this Report

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


VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 13, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Board of Trustees
Pleasant Valley School District
Camarillo, California

Report on Compliance for Each Major Federal Program

We have audited Pleasant Valley School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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 federal statutes, regulations, and the terms and conditions of its federal awards 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 Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

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 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 the 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, 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Purpose of this Report

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vicenti Lloyd + Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 13, 2016



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Pleasant Valley School District
Camarillo, California

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

Management's Responsibility

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

Auditor's Responsibility

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

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No ¹
Continuation Education	Not applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Act	Not applicable
After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Charter Schools:	
Attendance	No ²
Mode of Instruction	No ²
Nonclassroom Based Instruction/Independent Study	No ²
Determination of Funding for Nonclassroom Based Instruction	No ²
Annual Instructional Minutes – Classroom Based	No ²
Charter School Facility Grant Program	No ²

¹We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

²The testing for Charter Schools was done by each school’s respective auditor.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Opinion on State Compliance

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and which is described in the accompanying schedule of findings and questioned costs as item 2016-002. Our opinion on each state program is not modified with respect to this matters.

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

Purpose of this Report

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



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 13, 2016

FINDINGS AND QUESTIONED COSTS

PLEASANT VALLEY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

Type of auditor’s report issued on compliance for major federal 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 Federal Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

PLEASANT VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2016

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

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

2016-001 Local Control Funding Formula Revenue Year-End Accruals 30000

Criteria: Audit adjustments may indicate, at a minimum, a reportable deficiency in the year-end closing process.

Condition: During the 2015-16 audit it was noted that an error occurred in reporting the appropriate ADA period to calculate the local control funding formula revenue and accruals. In addition, as noted on page 74, an overstatement of ADA occurred due to a system error, further compounding the total misstatement.

Context: The local control funding formula utilizes second period attendance amounts as a major component of the formula calculation. In the calculation the District utilized estimated attendance in lieu of the actual second period results.

Effect: The District did not accurately record local control funding formula revenue and corresponding accruals. This resulted in an audit adjustment to the general fund of \$618,371, including the overstated ADA noted above.

Cause: The 2015-16 fiscal year was the first closing cycle for several key new accounting staff in the Business Services Department. This led to a miscommunication of the appropriate ADA to use in the local control funding formula calculation.

Recommendation: Implement a process of review of the local control funding formula calculation to verify the year-end accrual is accurate.

Corrective Action Plan: The District will implement a system of review in order to verify year-end accruals related to the local control funding formula calculation are accurate.

PLEASANT VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2016

There were no findings and questioned costs related to federal awards for June 30, 2016.

PLEASANT VALLEY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2016

2016-002 Attendance

10000

Criteria: P2 reports of attendance submitted to the California Department of Education (CDE) should reconcile to the supporting documents of the District’s attendance system.

Context: The attendance system was erroneously categorizing some preschool students as kindergarten students and therefore attendance was being claimed for those preschool students.

Effect: The District overstated their attendance in the P2 report by 37.

Cause: The error in claiming preschool students was caused by an error in the system naming convention for that attendance group.

Questioned Costs and Units: The impact on the overstatement of attendance resulted in an estimated overstatement of revenue of approximately \$260,000, which is included in the total adjustment reported on page 54. Attendance was overstated by grade span as follows:

Regular ADA:	
Grades transitional kindergarten through third	37
Grades four through six	-
Grades seven through eight	-
Total	<u>37</u>

Recommendation: Implement a process of review of the attendance reporting to include a reconciliation of the amounts to proper support and categorization.

Corrective Action Plan: The District will implement a reconciliation outside of the attendance software in order to verify that amounts reported on the attendance reports are accurate and properly categorized.

PLEASANT VALLEY SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2016

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the prior year.