

**CHULA VISTA ELEMENTARY SCHOOL DISTRICT
COUNTY OF SAN DIEGO
CHULA VISTA, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2016

**Wilkinson Hadley King & Co. LLP
CPA's and Advisors
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El Cajon, CA 92020**

Introductory Section

Chula Vista Elementary School District
 Audit Report
 For The Year Ended June 30, 2016

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Financial Section

Independent Auditor's Report

To the Board of Trustees
Chula Vista Elementary School District
Chula Vista, California

Report on the Financial Statements

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

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

Opinions

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

Emphasis of Matter

Change in Accounting Principles

As described in Note A to the financial statements, in 2016, Chula Vista Elementary School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, *Fair Value*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Chula Vista Elementary School District adopted new accounting guidance, Governmental Accounting Standards Board Statement 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*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Chula Vista Elementary School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 76, *Hierarchy of GAAP*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents 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 Chula Vista Elementary School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F -- Audit Requirements (Uniform Guidance) and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016 on our consideration of Chula Vista Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chula Vista Elementary School District's internal control over financial reporting and compliance.

El Cajon, California
December 14, 2016

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2016
(Unaudited)

This section of the Chula Vista Elementary School District's (CVESD) annual financial report presents the discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2016. This Management Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements that immediately follow this section.

FINANCIAL HIGHLIGHTS

- In 2015-16, the District's net position was \$48,815,594, an increase of 31.15% from the previous year. The District's restated net position in 2014-15 was \$37,219,979. The adjustment to the 2014-15 net position was due to audit adjustments made by CalSTRS auditors and corrections to the calculated proportionate share provided by CalSTRS.
- Overall revenues were \$354,118,304 with overall expenditures at \$342,522,689.
- Total District annual average daily attendance (ADA) increased by 138 ADA from 28,585 to 28,723. The charter increase was 210 ADA for the 5 charter schools and District less charters decreased by 72.
- In 2015-16, there were seven charter schools in the District with approximately 6,158 ADA. Five charter schools—Arroyo Vista, Chula Vista Learning Community, Discovery, Feaster, and Mueller—are included in the District's audit with 5,656 ADA. The sixth charter – Leonardo da Vinci Health Sciences with 309 ADA—began operations in 2009-10 as a K-6 charter school organized under the Nonprofit Public Benefit Corporation Law. The seventh charter—Howard Gardner Community Charter School with 193 ADA—began operations in 2012-13 as a K-8 charter school organized under the Nonprofit Public Benefit Corporation Law. The District's audit does not contain financial information for Leonardo da Vinci Health Sciences or Howard Gardner Community Charter School.
- The District records its Other Post-Employment Benefits (OPEB) costs, such as retiree healthcare costs, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 45. The District fully funds its annual required contribution and opened an irrevocable trust fund in 2008-09 through CalPERS to fund its OPEB obligation.
- The District records its ending fund balances in compliance with GASB Statement No. 54.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: (1) the MD&A (this section), (2) basic financial statements, and (3) required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are *Districtwide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District and report the District's operations in more detail than the Districtwide financial statements.
 - The *governmental funds* statements tell how basic services, such as general and special education, were financed in the short term as well as what remains for future spending.
 - *Proprietary funds* statements offer short-term and long-term financial information about the activities the District operates like businesses.
 - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2016
(Unaudited)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

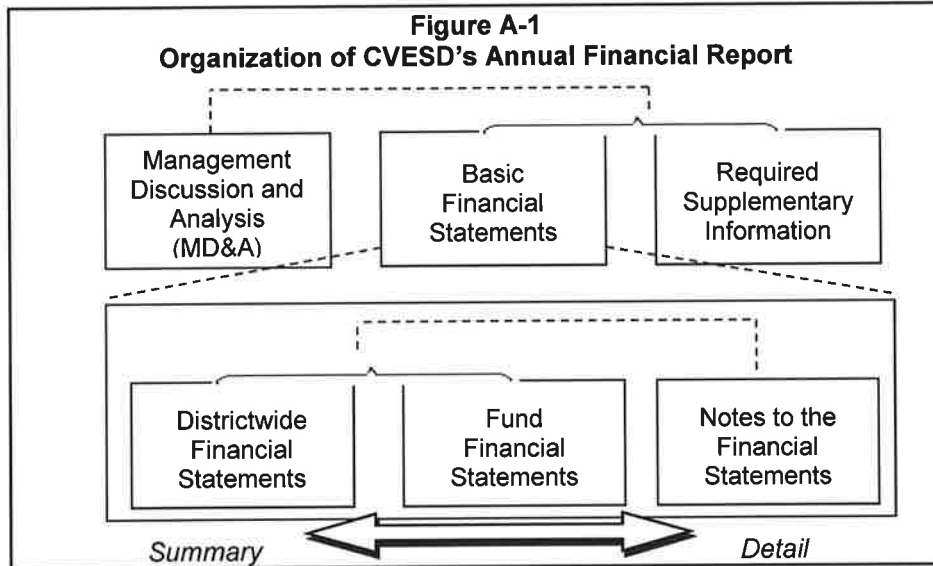


Figure A-2 summarizes the major features of the District's financial statements including the portion of the District's activities they cover and the types of information they contain.

The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

Districtwide Statements

Figure A-2
Major Features of the Districtwide and Fund Financial Statements

Type of Statements	Districtwide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope.	Entire District except fiduciary activities.	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Activities the District operates similar to private businesses, such as food services.	Instances in which the District administers resources on behalf of others, such as scholarship programs and student activities monies.
	Statement of net position.	Balance sheet.	Statement of net position.	Statement of fiduciary net position.
Required financial statements.	Statement of activities.	Statement of revenues, expenditures, and changes in fund balances.	Statement of revenues, expenditures, and changes in fund net position.	Statement of changes in fiduciary net position.
			Statement of cash flows.	
Accounting basis and measurement focus.	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information.	All assets and liabilities, both financial and capital, short-term and long-term.	Only assets expected to be fully used and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, short-term and long-term.	All assets and liabilities, both short-term and long-term. GASB funds do not currently contain nonfinancial assets, though they can.
Type of inflow/outflow information.	All revenues and expenses during the year regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year regardless of when cash is received or paid.	All revenues and expenses during the year regardless of when cash is received or paid.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2016
(Unaudited)

The Districtwide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all the District's assets and liabilities. All the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash was received or paid.

The two Districtwide statements report the District's net position and how it has changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial health of the District, one must consider additional factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the Districtwide financial statements, the District's activities are divided into two categories:

- Governmental activities. All the District's basic services are included here, such as general and special education, transportation, and administration. Property taxes and the Local Control Funding Formula finance most of these activities.
- Business-type activities. The District does not operate any business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as repaying its long-term debts, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds.

- Governmental funds. Most of the District's basic services are included in governmental funds, which generally focus on: (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Districtwide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationships (or differences) among them.
- Proprietary funds. Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as Districtwide statements. Enterprise funds or internal service funds are the two types of proprietary funds. The District does not operate any enterprise funds.

Internal service funds are used to report activities that provide supplies and services for the District's other programs and activities. The District currently has two internal service funds: the Workers' Compensation Insurance Fund and the Other Post-Employment Benefits Insurance Fund.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2016
(Unaudited)

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

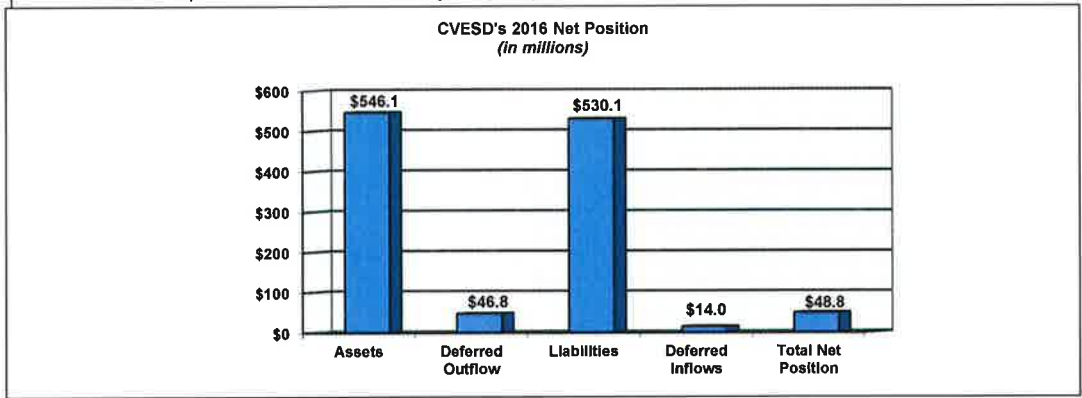
Net Position

The District's combined net position of \$48,815,594 increased by \$11,595,615 or approximately 31 percent from the restated net position of previous year. The Statement of Net Position (see Table A-1) provides the perspective of the District as a whole. All the data is from the District's governmental activities. The District does not operate any business-like entities.

Table A-1
CVESD's Net Position
(in millions)

	Governmental Activities		Percentage Increase (Decrease)
	2016	2015*	
Current and Other Assets	\$ 191.0	\$ 164.0	16%
Capital Assets	355.1	328.5	8%
Total Assets	\$ 546.1	\$ 492.5	11%
Deferred Outflows of Resources	\$46.8	\$19.5	140%
Long-Term Debt Outstanding	514.3	440.8	17%
Other Liabilities	15.8	20.1	(21%)
Total Liabilities	\$ 530.1	\$ 460.9	15%
Deferred Inflows of Resources	\$14.0	\$13.9	1%
Net Position			
Invested in Capital Assets	79.7	75.7	5%
Net of Related Debt			
Restricted	91.3	89.0	3%
Unrestricted	(122.2)	(127.5)	(4%)
Total Net Position	\$48.8	\$37.2	31%

*GASB 68 and 71 required a restatement of the beginning net position.



The District's improved financial position, resulting in an increase in net position of approximately \$11.6 million is the product of many factors.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2016
(Unaudited)

- Current assets increased by approximately \$27 million primarily due to the proceeds received from the sale of the 2016 Certificates of Participation which is being used to finance the construction of Saburo Muraoka Elementary.
- Capital assets increased by approximately \$26.6 million primarily due to the completion of the modernization of Allen Elementary, Hilltop Elementary and Vista Square Elementary. The modernization projects are primarily funded by the Proposition E School Facilities Improvement District (SFID) No.1 General Obligation Bond. Proposition E is a \$90 million authorization passed by voters in November 2012.
- Deferred Outflows increased by \$27.3 million mainly due to increase in pension related deferred outflows. Payments made subsequent to the net position liability measurement date are recorded as deferred outflows of resources.
- Liabilities increased by approximately \$69.2, mainly in long-term outstanding debt, due to a \$50.7 million increase in net pension liability and \$37.8 certificates of participation issuance. The increase is reduced by debt service payments for long-term issuances, such as general obligation bonds, certificates of participation (COPs), and lease revenue bonds.

Changes in Net Position

The District's total revenues increased by approximately 14 percent to \$354,118,304 (see Table A-2). The major increases to general revenues were due to increased property taxes, federal and state aid, and program revenues. Approximately 74 percent of the total revenue represents property taxes and state/federal formula aid not restricted for specific purposes, 17 percent was received as state and federal aid for specific operating grants, and the remainder represents miscellaneous revenues and charges for services.

	Governmental Activities		Percentage Increase (Decrease)
	2016	2015	
Revenues			
General Revenues	\$ 290.3	\$ 251.1	16%
Program Revenues	<u>63.8</u>	<u>58.5</u>	9%
Total Revenues	\$ 354.1	\$ 309.6	14%
Expenses			
Instruction/Instruction Related	\$ 241.2	\$ 227.3	6%
Pupil Services	40.8	36.8	11%
General Administration	50.2	45.8	10%
Other Outgo	<u>10.3</u>	<u>9.3</u>	11%
Total Expenses	\$ 342.5	\$ 319.2	7%
Increase (Decrease)	\$11.6	(\$9.6)	221%

The total cost of all programs increased by \$23.3 million or 7 percent to \$342.5 million. 82 percent of District expenses (instruction/instruction related and pupil services) directly supports the education and care of students (see Table A-2). The purely administrative activities (other administration and data processing services) account for just 3 percent of total costs.

In 2016, total revenues exceeded expenses by approximately \$11.6 million. In 2015, expenses exceeded revenues by \$9.6 million.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2016
(Unaudited)

Governmental Activities

Revenues from the District's governmental activities increased by approximately 14 percent, while total expenses increased by approximately 7 percent. Total government revenues were \$354,118,304 (see Table A-3) while government expenditures were \$342,522,689 (see Table A-4).

	<u>2016</u>	<u>Percentage</u>	<u>2015</u>	<u>Percentage</u>	<u>Increase (Decrease)</u>
Program Revenues	\$ 63.8	18%	\$ 58.5	19%	\$ 5.3
General Revenues	<u>290.3</u>	82%	<u>251.1</u>	81%	<u>39.2</u>
Total	\$ 354.1		\$ 309.6		\$ 44.5

Property taxes and federal and state aid represent over 91 percent of general revenues with the remaining 9 percent of general revenues consisting of interest earnings, other agency transfers, and miscellaneous income. Program revenues consist of 93 percent from federal, state, and local operating grants and contributions and 7 percent from charges for services.

The table below presents a two-year cost comparison of six of the District's largest functions: instruction, instruction related, pupil services, general administration, plant services, and other (which includes interest on long-term debt and other outgo).

<u>Function</u>	<u>Total Cost of Services</u>		<u>Percentage Increase (Decrease)</u>	<u>Net Cost of Services</u>		<u>Percentage Increase (Decrease)</u>
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
	Instruction	\$ 207.2	\$ 196.6	5%	\$175.4	\$165.8
Instruction Related	34.0	30.7	11%	26.5	25.8	3%
Pupil Services	40.8	36.8	11%	24.2	20.5	18%
General Administration	11.1	10.1	10%	9.4	8.6	9%
Plant Services	39.1	35.7	10%	33.5	31.3	7%
Other	<u>10.3</u>	<u>9.3</u>	11%	<u>9.7</u>	<u>8.7</u>	11%
Total	\$ 342.5	\$ 319.2	7%	\$ 278.7	\$ 260.7	7%

Table A-4 also shows the net cost of each function. The net cost is the total cost of each function less program revenues. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions associated with each function.

- The cost of all governmental functions this year was \$342.5 million, an increase of 7 percent.
- Net costs of services were \$278.7 million, representing an increase of 7 percent.
- Most of the District's net costs of \$342.5 million are paid from taxes levied for general purposes (\$97.3 million) and federal and state aid not restricted for specific purposes (\$165.9 million).
- Specific administrative costs, such as data processing and other general and administrative costs, represented approximately 3 percent of all expenditures in 2009-10, 2010-11, 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2016
(Unaudited)

Business-Type Activities

The District did not operate any business-type activities.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance as a whole is reflected in the District's governmental funds. As the District completed the year, the governmental funds reported a combined fund balance of \$165.3 million.

General Fund Budgetary Highlights

Table A-5 presents a comparison of revenues, expenditures, and other sources/uses from the adopted budget to the year-end budget.

Table A-5				
Budget to Actual Variances				
<i>(in millions)</i>				
	<u>Adopted Budget</u>	<u>Year-End Budget</u>	<u>Actuals</u>	<u>Percentage Increase (Decrease)</u>
Total Revenues	\$ 245.9	\$ 258.8	\$ 258.7	5.2%
Total Expenditures	239.0	244.2	241.2	2.2%
Total Other Sources/Uses	(0.4)	(0.5)	(0.5)	25.0%

Over the course of the year, the District revised the annual operating budget several times. The budget amendments generally fell into the following categories.

- The net increase in total revenues from the adopted budget to the year-end estimated budget was approximately \$12.9 million and was due primarily to the increase in federal, state and local revenues.
- The net increase in total expenditures from the adopted budget to the year-end estimated budget was approximately \$5.2 million and was due mostly to categorical funds budgeted as expended in the 2015-16 school year.

A comparison of the District's 2015-16 general fund ending balance and the final budgeted fund balance showed a \$2.9 million increase in the ending fund balance. The major factor that led to the increase is noted below.

- A decrease in the special education expenditures and unrestricted other operating expenditures account for the majority of the change.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of June 30, 2016, the District had invested \$542.3 million (before depreciation) in a broad range of capital assets including school buildings, school sites, computer equipment, and other building improvements.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2016
(Unaudited)

	<u>Governmental Activities</u>		<u>Percentage Increase (Decrease)</u>
	<u>2016</u>	<u>2015</u>	
Land	\$ 30.0	\$ 30.0	0%
Construction in Progress	15.7	13.9	13%
Site Improvement	6.5	6.8	(4%)
Buildings	298.3	274.6	9%
Equipment and Furniture	<u>4.6</u>	<u>3.3</u>	<u>39%</u>
Total	\$ 355.1	\$ 328.6	8%

The \$355.1 million in net capital assets at June 30, 2016, represents an increase of approximately \$26.5 million or 8 percent from last year (see Table A-6). Total depreciation increased by \$11.5 million from last year. More detailed information about capital assets can be found in the notes to the financial statements.

The District expects to spend approximately \$38.8 million in 2016-17 from the capital budgets to complete the construction of Saburo Muraoka Elementary which began in May 2016. The District issued \$36.8 million Certificates of Participation to fund the construction project.

Long-Term Debt

At year-end, the District had over \$514.3 million outstanding debt in general obligation bonds, certificates of participation (COPs), community facilities district bonds, and other outstanding long-term debt (see Table A-7), which represents an increase of approximately \$73.5 million from last year. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
General Obligation Bonds	\$ 93.5	\$ 99.8	\$ (6.3)
Certificates of Participation	165.8	128.0	37.8
Lease Revenue Bonds	0.0	10.6	(10.6)
Capital Lease	0.0	0.0	(0.0)
Net Pension Liability*	236.2	185.5	50.7
Net Other Post-Employment Benefits Obligation	1.4	1.4	0.0
Other	<u>17.4</u>	<u>15.5</u>	<u>1.9</u>
Total	\$ 514.3	\$ 440.8	\$ 73.5

*GASB 68 and 71 required an adjustment to the beginning net pension liability.

- The District issued \$36.8 million 2016 Certificates of Participation. The net proceeds is being used to construct Saburo Muraoka Elementary.
- The District issued \$6.6 million 2016 Refunding Certificates of Participation. The net proceeds were used to refund the 1997 Special Tax Revenue Bonds and 1999 Special Tax Revenue Bonds.
- Bond rating information. The District maintains an "A+" rating from Standard & Poor's for the COPs issuance that closed in March 2016. The District maintains an "AA-" rating from Standard & Poor's for the School Facilities Improvement District No. 1 (SFID) 2012 Series B General Obligation Bonds issuance that closed in February 2015.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
Management Discussion and Analysis
for the Fiscal Year Ended June 30, 2016
(Unaudited)

- Limitation on debt. The state limits the amount of debt a district can issue to 1.25 percent of the assessed value of property within a district's boundaries. CVESD's combined direct debt ratio was 0.31 percent as of June 30, 2016.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future.

- Although the structural budget of State of California is better than in past years, the additional state income tax revenues included in Proposition 30 were set to expire in 2018. On November 8, 2016, voters approved Proposition 55, Extension of the Proposition 30 Income Tax Increase, that will extend the temporary tax increases to 2030.
- The District will continue to monitor the local housing market and its effect on District enrollment in future years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to determine the District's accountability for the money it receives. Additional financial information can be obtained by contacting the following:

Office of the Assistant Superintendent
for Business Services and Support
Chula Vista Elementary School District
84 East "J" Street
Chula Vista, CA 91910

Basic Financial Statements

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>
ASSETS:	
Cash in County Treasury	\$ 143,599,806
Cash on Hand and in Banks	922,270
Cash in Revolving Fund	45,000
Cash with a Fiscal Agent/Trustee	33,036,859
Accounts Receivable	12,621,014
Stores Inventories	842,585
Prepaid Expenses	4,635
Capital Assets:	
Land	30,000,621
Land Improvements	12,872,286
Buildings	465,451,954
Equipment	18,308,853
Work in Progress	15,652,186
Less Accumulated Depreciation	<u>(187,198,826)</u>
Total Assets	<u>546,159,243</u>
DEFERRED OUTFLOWS OF RESOURCES	46,808,138
LIABILITIES:	
Accounts Payable	14,666,290
Unearned Revenue	1,121,689
Long-Term Liabilities:	
Due Within One Year	17,789,130
Due in More Than One Year	496,524,598
Total Liabilities	<u>530,101,707</u>
DEFERRED INFLOWS OF RESOURCES	14,050,080
NET POSITION:	
Net Investment in Capital Assets	79,707,021
Restricted For:	
Debt Service	9,271,120
Capital Projects	73,540,390
Educational Programs	4,557,224
Other Purposes (expendable)	3,047,318
Other Purposes (nonexpendable)	892,220
Unrestricted	<u>(122,199,699)</u>
Total Net Position	<u>\$ 48,815,594</u>

The accompanying notes are an integral part of this statement.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Governmental Activities:					
Instruction	\$ 207,166,248	\$ 1,063,172	\$ 30,714,610	\$ -	\$ (175,388,466)
Instruction-Related Services:					
Instructional Supervision and Administration	9,196,334	133,233	6,290,790	-	(2,772,311)
Instructional Library, Media and Technology	5,246,664	70,818	328,565	-	(4,827,281)
School Site Administration	19,581,108	37,896	648,523	-	(18,894,689)
Pupil Services:					
Home-to-School Transportation	7,219,382	6,471	57,529	-	(7,155,382)
Food Services	11,134,039	1,499,386	9,300,454	-	(334,199)
All Other Pupil Services	22,490,389	2,996	5,752,339	-	(16,735,054)
General Administration:					
Centralized Data Processing	2,331,705	-	4,211	-	(2,327,494)
All Other General Administration	8,810,192	74,864	1,666,504	-	(7,068,824)
Plant Services	33,823,539	27,712	2,061,728	-	(31,734,099)
Ancillary Services	4,003,904	1,513,080	1,109,206	-	(1,381,618)
Community Services	975,226	233,181	675,132	-	(66,913)
Enterprise Activities	295,292	-	10,848	-	(284,444)
Interest on Long-Term Debt	9,185,553	-	-	-	(9,185,553)
Other Outgo	1,063,114	-	492,406	-	(570,708)
Total Governmental Activities	342,522,689	4,662,809	59,112,845	-	(278,747,035)
Total Primary Government	\$ 342,522,689	\$ 4,662,809	\$ 59,112,845	\$ -	(278,747,035)

General Revenues:

Taxes for General Purposes	87,051,340
Taxes for Debt Service	9,524,528
Taxes for Other Specific Purposes	718,569
Federal and State Aid, not Restricted	165,954,092
Interest and Investment Earnings	657,713
Interagency Revenues	8,292,655
Miscellaneous	18,143,753
Total General Revenues	290,342,650
Change in Net Position	11,595,615
Net Position - Beginning, as adjusted (Note P)	37,219,979
Net Position - Ending	\$ 48,815,594

The accompanying notes are an integral part of this statement.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Charter School Fund
ASSETS:		
Cash in County Treasury	\$ 63,900,435	\$ 15,163,459
Cash on Hand and in Banks	-	-
Cash in Revolving Fund	35,000	10,000
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	8,656,214	1,072,646
Due from Other Funds	952,905	1,520,830
Stores Inventories	692,784	-
Prepaid Expenditures	3,060	1,575
Total Assets	<u>74,240,398</u>	<u>17,768,510</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Expenditures	-	-
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows	<u>\$ 74,240,398</u>	<u>\$ 17,768,510</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 8,467,754	\$ 842,104
Due to Other Funds	1,496,562	725,538
Unearned Revenue	1,079,247	42,442
Total Liabilities	<u>11,043,563</u>	<u>1,610,084</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Revenue	312,637	-
Total Deferred Inflows of Resources	<u>312,637</u>	<u>-</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	35,000	10,000
Stores Inventories	692,783	-
Prepaid Items	3,060	1,575
Restricted Fund Balances	3,493,343	821,343
Assigned Fund Balances	7,601,667	15,325,508
Unassigned:		
Reserve for Economic Uncertainty	51,058,345	-
Total Fund Balance	<u>62,884,198</u>	<u>16,158,426</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 74,240,398</u>	<u>\$ 17,768,510</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Blended Component Unit	Other Governmental Funds	Total Governmental Funds
\$ 35,393,813	\$ 15,625,528	\$ 130,083,235
-	859,815	859,815
-	-	45,000
28,451,380	4,585,479	33,036,859
57,990	2,815,601	12,602,451
-	5,465	2,479,200
-	149,801	842,585
-	-	4,635
<u>63,903,183</u>	<u>24,041,689</u>	<u>179,953,780</u>
-	118,790	118,790
-	118,790	118,790
<u>\$ 63,903,183</u>	<u>\$ 24,160,479</u>	<u>\$ 180,072,570</u>
\$ 1,247,435	\$ 307,959	\$ 10,865,252
91,443	165,657	2,479,200
-	-	1,121,689
<u>1,338,878</u>	<u>473,616</u>	<u>14,466,141</u>
-	-	312,637
-	-	<u>312,637</u>
-	-	45,000
-	149,801	842,584
-	-	4,635
-	11,113,887	15,428,573
62,564,305	12,423,175	97,914,655
-	-	51,058,345
<u>62,564,305</u>	<u>23,686,863</u>	<u>165,293,792</u>
<u>\$ 63,903,183</u>	<u>\$ 24,160,479</u>	<u>\$ 180,072,570</u>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balances, governmental funds: \$ 165,293,792

Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

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

Capital assets relating to governmental activities, at historical cost	542,285,900	
Accumulated depreciation	(187,198,826)	
Net:		355,087,074

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was: (3,796,539)

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

General obligation bonds payable	93,505,000	
Net pension liability	236,227,315	
Compensated absences payable	1,282,879	
Certificates of participation payable	165,785,000	
Deferred gain or loss on debt refunding	(3,659,485)	
General obligation bond premiums	16,089,873	
Total:		(509,230,582)

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

Deferred outflows of resources relating to pensions	43,029,864
Deferred inflows of resources relating to pensions	(13,737,443)

Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds are: 12,169,428

Total net position, governmental activities: \$ 48,815,594

The accompanying notes are an integral part of this statement.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Charter School Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 85,670,169	\$ 21,973,046
Education Protection Account Funds	30,291,781	7,580,156
Local Sources	69,434,772	16,185,775
Federal Revenue	15,400,235	1,590,884
Other State Revenue	29,854,816	6,404,191
Other Local Revenue	28,062,124	435,640
Total Revenues	<u>258,713,897</u>	<u>54,169,692</u>
Expenditures:		
Instruction	149,542,067	28,312,023
Instruction - Related Services	24,341,857	6,628,686
Pupil Services	25,920,706	1,302,134
Ancillary Services	3,954,749	42,594
Community Services	951,358	-
Enterprise	271,479	-
General Administration	10,397,044	35,407
Plant Services	24,296,308	11,594,954
Other Outgo	1,057,264	5,851
Debt Service:		
Principal	221,338	-
Interest	261,554	-
Total Expenditures	<u>241,215,724</u>	<u>47,921,649</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>17,498,173</u>	<u>6,248,043</u>
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	(524,245)	(593,263)
Other Sources	-	-
Total Other Financing Sources (Uses)	<u>(524,245)</u>	<u>(593,263)</u>
Net Change in Fund Balance	16,973,928	5,654,780
Fund Balance, July 1	45,910,270	10,503,646
Fund Balance, June 30	<u>\$ 62,884,198</u>	<u>\$ 16,158,426</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Blended Component Unit	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 107,643,215
-	-	37,871,937
-	-	85,620,547
-	10,738,016	27,729,135
-	3,437,135	39,696,142
16,403,531	12,272,502	57,173,797
<u>16,403,531</u>	<u>26,447,653</u>	<u>355,734,773</u>
-	2,026,307	179,880,397
-	271,705	31,242,248
-	13,731,609	40,954,449
-	-	3,997,343
-	-	951,358
-	-	271,479
-	721,509	11,153,960
13,848,196	19,464,707	69,204,165
-	-	1,063,115
-	22,500,000	22,721,338
-	9,730,930	9,992,484
<u>13,848,196</u>	<u>68,446,767</u>	<u>371,432,336</u>
<u>2,555,335</u>	<u>(41,999,114)</u>	<u>(15,697,563)</u>
-	22,655,754	22,655,754
(21,538,246)	-	(22,655,754)
46,049,094	-	46,049,094
<u>24,510,848</u>	<u>22,655,754</u>	<u>46,049,094</u>
27,066,183	(19,343,360)	30,351,531
35,498,122	43,030,223	134,942,261
<u>\$ 62,564,305</u>	<u>\$ 23,686,863</u>	<u>\$ 165,293,792</u>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT A-6

Total change in fund balances, governmental funds:	\$ 30,351,531
<p>Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:</p>	
<p>Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:</p>	26,523,444
<p>Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:</p>	22,721,338
<p>Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:</p>	(46,049,094)
<p>Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:</p>	(7,382)
<p>Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:</p>	(254,161)
<p>Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:</p>	(219,603)
<p>Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:</p>	(23,643,397)
<p>Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding, for the period is:</p>	1,061,091
<p>Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service was:</p>	<u>1,111,848</u>
Change in net position of governmental activities:	\$ <u>11,595,615</u>

The accompanying notes are an integral part of this statement.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
JUNE 30, 2016

	Nonmajor Internal Service Fund	Self-Insurance Fund
ASSETS:		
Current Assets:		
Cash in County Treasury	\$ 13,516,571	
Cash on Hand and in Banks	62,455	
Accounts Receivable	18,564	
Total Current Assets	<u>13,597,590</u>	
Total Assets	<u>13,597,590</u>	
LIABILITIES:		
Current Liabilities:		
Accounts Payable	\$ 4,500	
Total Current Liabilities	<u>4,500</u>	
Noncurrent Liabilities:		
Other Postemployment Benefits	1,423,661	
Total Noncurrent Liabilities	<u>1,423,661</u>	
Total Liabilities	<u>1,428,161</u>	
NET POSITION:		
Unrestricted	12,169,429	
Total Net Position	<u>\$ 12,169,429</u>	

The accompanying notes are an integral part of this statement.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	\$ 5,990,141
Total Revenues	<u>5,990,141</u>
Operating Expenses:	
Services and Other Operating Expenses	<u>4,878,293</u>
Total Expenses	<u>4,878,293</u>
Income (Loss) before Contributions and Transfers	1,111,848
Change in Net Position	<u>1,111,848</u>
Total Net Position - Beginning	<u>11,057,581</u>
Total Net Position - Ending	<u>\$ 12,169,429</u>

The accompanying notes are an integral part of this statement.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Nonmajor Internal Service Fund	Self-Insurance Fund
Cash Flows from Operating Activities:		
Cash Received from Interfund Services Provided	\$ 5,970,538	
Cash Payments to Other Suppliers for Goods and Services	(4,882,792)	
Net Cash Provided (Used) by Operating Activities	<u>1,087,746</u>	
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	70,259	
Net Cash Provided (Used) for Investing Activities	<u>70,259</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	1,158,005	
Cash and Cash Equivalents at Beginning of Year	12,420,521	
Cash and Cash Equivalents at End of Year	<u>\$ 13,578,526</u>	
Reconciliation of Operating & Investment Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 1,111,848	
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	(6,987)	
Increase (Decrease) in Accounts Payable	4,500	
Increase (Decrease) in Long-Term Debt	48,644	
Total Adjustments	<u>46,157</u>	
Net Cash Provided (Used) by Operating & Investment Activities	<u>\$ 1,158,005</u>	

The accompanying notes are an integral part of this statement.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2016

	Pension Trust Fund	Agency Fund
	Retiree Benefit Fund	Student Body Fund
ASSETS:		
Cash on Hand and in Banks	\$ 13,289,984	\$ 539,714
Total Assets	<u>13,289,984</u>	<u>539,714</u>
LIABILITIES:		
Due to Student Groups	\$ -	\$ 539,714
Total Liabilities	<u>-</u>	<u>539,714</u>
NET POSITION:		
Held in Trust for Pension Benefit	13,289,984	-
Total Net Position	<u>\$ 13,289,984</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Retiree Benefit Fund
Additions:	
Investment Income	\$ 259,668
Employer Contributions	1,374,517
Total Additions	<u>1,634,185</u>
Deductions:	
Administrative Expenses	<u>9,483</u>
Total Deductions	<u>9,483</u>
Change in Net Position	1,624,702
Net Position-Beginning of the Year	<u>11,665,282</u>
Net Position-End of the Year	<u>\$ 13,289,984</u>

The accompanying notes are an integral part of this statement.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) 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 organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has component units. The component units are the Chula Vista Elementary School District Community Facilities Districts. The District is not a component unit of any other reporting entity as defined by the GASB statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Charter School Fund. This fund is used to account for the activities of the District's charter schools.

Capital Project Fund for Blended Component Units. This fund accounts for the activities of the District's Community Facilities Districts.

In addition, the District reports the following fund types:

Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Funds. These funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and other costs.

Capital Projects Funds. These funds are used to account for the proceeds from bond issuances and for the acquisition of capital assets of the district.

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Pension (and Other Employee Benefit) Trust Funds: These funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Encumbrances

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

4. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

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

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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Non-exchange transactions are transactions in which the District receives value without directly giving equal value in return, including property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

b. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide financial statements.

6. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

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

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	25-50
Building Improvements	15-20
Vehicles	8-15
Office Equipment	5-15
Other Equipment	5-15

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

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

e. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

h. Fund Balance Reserves and Designations

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

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Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

i. Minimum Fund Balance

The District maintains a minimum reserve, within the general fund, an amount not less than the amount required by state law. The minimum reserve shall apply towards the established minimum Reserve for Economic Uncertainties or an amount that meets or exceeds the requirements by law. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

7. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

8. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

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9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan), and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

10. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

- Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs: Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

11. Change in Accounting Policies

In February 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 72 Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District has implemented the guidance under GASB Statement No. 72 into their accounting policies effective for the fiscal year ending June 30, 2016.

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In June 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The District has implemented the guidance under GASB Statement No. 76 into their accounting policies effective for the fiscal year ending June 30, 2016.

In June 2015 the Governmental Accounting Standards Board (GASB) issued Statement 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. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statement 67 and 68 with regard to the following issues:

- 1 Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- 2 Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
- 3 Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The District has adopted the provisions of GASB Statement No. 73 effective for the year ending June 30, 2016.

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B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (143,599,806 as of June 30, 2016). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was 143,599,806. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

The San Diego County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (1,461,984 as of June 30, 2016) and in the revolving fund (45,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation.

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3. Investments:

The District's investments at June 30, 2016 are shown below.

Investment or Investment Type	Maturity	Amount Reported	Fair Value
Guaranteed Investment Contracts	330 Days*	\$ 4,535,870	\$ 4,535,870
Short Term Cash Investments	<30 Days	26,771,689	26,771,689
US Treasury Notes	<30 Days	1,729,300	1,729,300
Total Investments		\$ 33,036,859	\$ 33,036,859

* Represents an average of the days to maturity

4. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

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

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5. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The San Diego County Investment Pool is rated AA+ by Standard & Poors. The District's short term cash investments, guaranteed investment contract, and US treasury notes are rated A-1+ by Standard & Poors.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

As of June 30, 2015, the District's bank balances (including revolving cash) of \$1,256,984 was exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

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e. Foreign Currency Risk

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

6. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Accounts Receivable

Accounts receivable at June 30, 2016 consisted of intergovernmental grants, entitlements, interest and other local sources as follows:

	Major Governmental Funds				
	General Fund	Charter School Fund	Blended Component Unit Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:					
Federal Programs	\$ 3,637,043	\$ 219,224	\$ -	\$ 2,208,197	\$ 6,064,464
State Government:					
Lottery	2,671,306	628,623	-	-	3,299,929
Special Education	514,590	-	-	-	514,590
Other State Programs	474,133	153,305	-	598,264	1,225,702
Local Sources					
Interest	96,539	21,172	-	9,104	126,815
Other Local Sources	1,262,603	50,322	57,990	36	1,370,951
Total Accounts Receivable	\$ 8,656,214	\$ 1,072,646	\$ 57,990	\$ 2,815,601	\$ 12,602,451
		Self Insurance Fund			
Local Sources					
Interest	\$ 18,564				

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E. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 30,000,621	\$ -	\$ -	\$ 30,000,621
Work in progress	13,910,384	14,480,460	12,738,658	15,652,186
Total capital assets not being depreciated	<u>43,911,005</u>	<u>14,480,460</u>	<u>12,738,658</u>	<u>45,652,807</u>
Capital assets being depreciated:				
Buildings	431,104,223	34,347,731	-	465,451,954
Improvements	12,671,652	200,634	-	12,872,286
Equipment	16,616,996	2,009,872	318,015	18,308,853
Total capital assets being depreciated	<u>460,392,871</u>	<u>36,558,237</u>	<u>318,015</u>	<u>496,633,093</u>
Less accumulated depreciation for:				
Buildings	(156,499,001)	(10,603,267)	-	(167,102,268)
Improvements	(5,869,016)	(481,955)	-	(6,350,971)
Equipment	(13,364,847)	(691,373)	(310,633)	(13,745,587)
Total accumulated depreciation	<u>(175,732,864)</u>	<u>(11,776,595)</u>	<u>(310,633)</u>	<u>(187,198,826)</u>
Total capital assets being depreciated, net	<u>284,660,007</u>	<u>24,781,642</u>	<u>7,382</u>	<u>309,434,267</u>
Governmental activities capital assets, net	<u>\$ 328,571,012</u>	<u>\$ 39,262,102</u>	<u>\$ 12,746,040</u>	<u>\$ 355,087,074</u>

Depreciation was charged to functions as follows:

Instruction	\$ 11,096,248
Instruction-Related Services	45,552
Pupil Services	318,339
General Administration	272,470
Plant Services	43,986
	<u>\$ 11,776,595</u>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2016 consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Component Unit Fund	\$ 88,837	Reimbursement of Expenses
Capital Facilities Fund	Component Unit Fund	2,398	Deposit Correction
County School Facilities Fund	Component Unit Fund	208	Reimbursement of Expenses
General Fund	County School Facilities Fund	48	Reimbursement of Expenses
General Fund	Capital Facilities Fund	8,129	Reimbursement of Expenses
General Fund	Charter School Fund	725,538	Reimbursement of Expenses
General Fund	Child Development Fund	119,220	Indirect Costs
General Fund	Child Development Fund	10,277	Reimbursement of Expenses
General Fund	Building Fund	849	Reimbursement of Expenses
Capital Facilities Fund	Building Fund	2,551	Reimbursement of Expenses
Charter School Fund	General Fund	1,421,985	Transfer of Property Taxes
Charter School Fund	General Fund	74,271	Chargebacks/Expenses
General Fund	Deferred Maintenance Fund	9	Reimbursement of Expenses
Building Fund	General Fund	306	Reimbursement of Expenses
Charter School Fund	Child Development Fund	24,574	Reimbursement of Expenses
	Total	\$ 2,479,200	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2016 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Pupil Transportation Fund	\$ 400,000	School Bus Purchase
Component Units Fund	Component Units Fund	21,538,246	Debt Service Payments
Charter School Fund	Building Fund	717,508	Debt Service Payments
	Total	\$ 22,655,754	

G. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

H. Accounts Payable

Accounts payable balances as of June 30, 2016 consist of:

	Major Governmental Funds			Nonmajor Governmental Funds	Totals
	General Fund	Charter School Fund	Blended Component Unit Fund		
Vendors Payable	\$ 4,548,603	\$ 293,045	\$ 1,247,435	\$ 112,122	\$ 6,201,205
Payroll and Benefits	454,874	60,251	-	13,181	528,306
Pension Related	1,386,387	229,643	-	14,562	1,630,592
LCFF Repayment	1,282,356	259,165	-	-	1,541,521
Other Current Liabilities	795,534	-	-	168,094	963,628
Total	\$ 8,467,754	\$ 842,104	\$ 1,247,435	\$ 307,959	\$ 10,865,252
	<u>Self Insurance Fund</u>				
Vendors Payable	\$ 4,500				
Total	\$ 4,500				

I. Unearned Revenue

Unearned revenue as of June 30, 2016 consisted of the following:

	Major Governmental Funds		
	General Fund	Charter School Fund	Total
Federal Government:			
Categorical Programs	\$ 194,331	\$ -	\$ 194,331
State Government:			
Other State Programs	174,642	-	174,642
Local Sources:			
Other Local Programs	710,274	42,442	752,716
Total	\$ 1,079,247	\$ 42,442	\$ 1,121,689

J. Deferred Outflows of Resources

The District has recorded a prior year accounts receivable due from the Leonardo Da Vinci Charter School for the relocation and utilization of nine relocatable classrooms. The initial cost incurred March 2012 was \$509,100 and is being paid over five years through periodic billing by the District to the charter school; consequently, the charter school pays the District periodically throughout each fiscal year as funds are available. As of June 30, 2016, the balance remaining to be paid per the agreement is \$118,790.

The District issued refunding bonds in July 2013 and as a result of the calculated gain or loss, a loss on refunding in the amount of \$1,104,136 was recognized as a deferred outflow of resources. The loss on refunding will be amortized over sixteen years based on the debt service of the new refunding bonds.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

The District issued refunding certificates of participation (COPs) in November 2014 and as a result of the calculated gain or loss, a loss on refunding in the amount of \$2,500,330 was recognized as a deferred outflow of resources. The loss on refunding will be amortized over seventeen years based on the debt service of the new certificates of participation.

The District issued refunding certificates of participation (COPs) in March 2016 and as a result of the calculated gain or loss, a loss on refunding in the amount of \$510,436 was recognized as a deferred outflow of resources. The loss on refunding will be amortized over six years based on the debt service of the new certificates of participation.

In addition, in accordance with GASB Statement No. 68 & 71, payments made subsequent to the net pension liability measurement date are recorded as deferred outflows of resources.

A summary of the deferred outflows of resources as of June 30, 2016 is as follows:

Description	Issue Date	Amortization Term
Charter School Loan	06/30/14	5 Years
Refunding Loss - Bonds	07/10/13	16 Years
Refunding Loss - COPs	11/06/14	17 Years
Refunding Loss - COPs	03/17/16	6 Years
Pension Related	06/30/15	Varies

Description	Balance July 1, 2015	Additions	Current Year Amortization	Balance June 30, 2016
Charter School Loan	\$ 229,095	\$ -	\$ 110,305	\$ 118,790
Refunding Loss - Bonds	971,869	-	69,009	902,860
Refunding Loss - COPs	2,414,534	-	147,078	2,267,456
Refunding Loss - COPs	-	510,436	21,267	489,169
Pension Related	15,845,320	35,631,885	8,447,342	43,029,863
Total Deferred Outflows	\$ 19,460,818	\$ 36,142,321	\$ 8,795,001	\$ 46,808,138

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30,	Charter School Loan	Refunding Loss Bonds	Refunding Loss COPs	Pension Related	Total
2017	\$ 59,395	\$ 69,009	\$ 232,151	\$ 25,154,699	\$ 25,515,254
2018	59,395	69,009	232,151	5,958,388	6,318,943
2019	-	69,009	232,151	5,958,388	6,259,548
2020	-	69,009	232,151	5,958,388	6,259,548
2021	-	69,009	232,151	-	301,160
2022-2026	-	345,045	799,193	-	1,144,238
2027-2031	-	212,770	735,390	-	948,160
2032-2036	-	-	61,287	-	61,287
Total	\$ 118,790	\$ 902,860	\$ 2,756,625	\$ 43,029,863	\$ 46,808,138

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

K. Deferred Inflows of Resources

The District received 21st Century Grant funds, Cohort 2 and Cohort 3 from state sources in prior years and has not expended the funds for the purposes intended. The funds have been recorded as unearned revenue for over five years and the District elected not to spend the funds due to the possible repayment of the unused funds back to the state; however, the state has not billed or requested the return of the funds. Due to the ambiguity in this matter, the District continued to report the funds as unearned revenue for over five years. Given the length of time, the unearned revenue has been reclassified as deferred inflows of resources until the District received guidance and a final decision on the status of the unused funds. In August 2015, the District received permission from the San Diego County Office of Education to expend and utilize the funds in the After School Education and Safety Program which transitioned from the 21st Century Grant. The funds are designated to be expended by the fiscal year end of June 30, 2017.

A summary of the deferred inflows of resources as of June 30, 2016 is as follows:

Description	Amortization Term	Balance July 1, 2015	Additions	Current Year Amortization	Balance June 30, 2016
Unearned Revenue	1 Year	\$ 316,870	\$ -	\$ 4,233	\$ 312,637
Pension Related	Varies	13,567,069	4,452,678	4,282,304	13,737,443
Total Deferred Inflows of Resources		\$ 13,883,939	\$ 4,452,678	\$ 4,286,537	\$ 14,050,080

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Unearned Revenue	Pension Related	Total
2017	\$ 312,637	\$ 4,282,304	\$ 4,594,941
2018	-	4,282,304	4,282,304
2019	-	4,282,304	4,282,304
2020	-	890,531	890,531
Total	\$ 312,637	\$ 13,737,443	\$ 14,050,080

L. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2016 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 99,830,000	\$ -	\$ 6,325,000	\$ 93,505,000	\$ 6,175,000
Bond premium	14,435,127	2,664,094	1,009,348	16,089,873	1,122,590
Certificates of participation	127,945,000	43,385,000	5,545,000	165,785,000	7,785,000
Lease revenue bonds	10,630,000	-	10,630,000	-	-
Compensated absences *	1,063,276	219,603	-	1,282,879	1,282,879
Net pension liability	185,569,749	109,334,121	58,676,555	236,227,315	-
Net OPEB obligation	1,374,517	2,227,062	2,177,918	1,423,661	1,423,661
Total governmental activities	\$ 440,847,669	\$ 157,829,880	\$ 84,363,821	\$ 514,313,728	\$ 17,789,130

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

2. Debt Service Requirements

Debt service requirements on long-term debt, net of bond premium, net OPEB obligation, and net pension liability at June 30, 2016 are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 15,242,879	\$ 10,187,889	\$ 25,430,768
2018	14,555,000	9,528,550	24,083,550
2019	19,015,000	8,932,998	27,947,998
2020	13,765,000	8,327,225	22,092,225
2021	14,645,000	7,715,286	22,360,286
2022-2026	79,975,000	27,959,168	107,934,168
2027-2031	57,830,000	13,305,973	71,135,973
2032-2036	29,950,000	5,476,782	35,426,782
2037-2041	15,595,000	880,003	16,475,003
Totals	\$ 260,572,879	\$ 92,313,874	\$ 352,886,753

3. General Obligation Bonds

General obligation bonds at June 30, 2016 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2010 Refunding Bonds	10/13/10	3.00-3.25%	08/01/26	\$ 14,785,000
2012 Refunding Bonds	05/22/12	3.00-5.00%	08/01/28	18,580,000
2012 Election Series A	06/13/13	2.00-5.50%	08/01/37	31,000,000
2013 Series A Refunding	07/10/13	3.00-5.00%	08/01/29	30,755,000
2012 Election Series B	02/05/15	3.00-5.00%	08/01/39	14,000,000
Total GO Bonds				\$ 109,120,000

	Beginning Balance	Increases	Decreases	Ending Balance
2010 Refunding Bonds	\$ 11,620,000	\$ -	\$ 825,000	\$ 10,795,000
2012 Refunding Bonds	16,505,000	-	945,000	15,560,000
2012 Election Series A	28,995,000	-	2,345,000	26,650,000
2012 Series A Refunding	28,710,000	-	2,210,000	26,500,000
2012 Election Series B	14,000,000	-	-	14,000,000
Total GO Bonds	\$ 99,830,000	\$ -	\$ 6,325,000	\$ 93,505,000

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

The annual requirements to amortize the bonds outstanding at June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 6,175,000	\$ 3,574,475	\$ 9,749,475
2018	6,460,000	3,343,475	9,803,475
2019	5,530,000	3,120,150	8,650,150
2020	5,240,000	2,900,875	8,140,875
2021	5,545,000	2,690,963	8,235,963
2022-2026	28,240,000	9,661,912	37,901,912
2027-2031	16,230,000	4,975,347	21,205,347
2032-2036	12,330,000	2,648,572	14,978,572
2037-2041	7,755,000	393,269	8,148,269
Totals	<u>\$ 93,505,000</u>	<u>\$ 33,309,038</u>	<u>\$ 126,814,038</u>

4. Certificates of Participation

2016 Certificates of Participation

In January 2016 the District issued \$36,785,000 of 2016 Certificates of Participation to finance the acquisition and construction of an elementary school, acquire a municipal bond insurance policy and a debt service reserve insurance policy for the certificates, and pay the costs related to the execution and delivery of the certificates. The certificates of participation bear fixed interest rates ranging from 2.00% to 5.00% with annual maturities from September 2016 through September 2040. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2016. The net proceeds of \$38,104,536 (after premium of \$2,161,675 less cost of issuance of \$842,139) were deposited to the District's Capital Project Fund for Blended Component Units for the purposes as previously stated.

Certificates of Participation issued by the District as of June 30, 2016 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
2001 Refunding COPS A	Mar 2001	4.00-4.75%	2017	\$ 5,090,000
2001 Refunding COPS B	Mar 2001	4.00-4.70%	2016	6,085,000
2002 Refunding COPS	Jan 2002	2.00-5.00%	2019	5,880,000
2003 QZAB COPS	Oct 2003	N/A	2019	5,000,000
2011 Refunding COPS	Oct 2010	3.00-3.63%	2026	11,220,000
2012 COPS	Nov 2011	2.00-4.63%	2037	25,000,000
2013 Refunding COPS	Apr 2013	3.00-5.00%	2028	41,650,000
2013 COPS Charter Schools	Aug 2013	3.00-5.25%	2034	6,845,000
2014 Refunding COPS	Nov 2014	3.13-5.00%	2032	42,420,000
2004 COPS	Jan 2016	2.00-5.00%	2041	36,785,000
2016 Refunding COPS	Mar 2016	3.00-4.00%	2021	6,600,000
Total COPS				<u>\$ 192,575,000</u>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

	Amount Outstanding 7/1/15	Issued Current Year	Redeemed Current Year	Amount Outstanding 6/30/16
2001 Refunding COPS A	\$ 520,000	\$ -	\$ 265,000	\$ 255,000
2001 Refunding COPS B	160,000	-	160,000	-
2002 Refunding COPS	1,950,000	-	460,000	1,490,000
2003 QZAB COPS	5,000,000	-	-	5,000,000
2011 Refunding COPS	9,320,000	-	565,000	8,755,000
2012 COPS	22,905,000	-	530,000	22,375,000
2013 Refunding COPS	39,040,000	-	1,495,000	37,545,000
2013 COPS Charter Schools	6,630,000	-	230,000	6,400,000
2014 Refunding COPS	42,420,000	-	1,840,000	40,580,000
2016 COPS	-	36,785,000	-	36,785,000
2016 Refunding COPS	-	6,600,000	-	6,600,000
Total COPS	\$ 127,945,000	\$ 43,385,000	\$ 5,545,000	\$ 165,785,000

The annual requirements to amortize the certificates of participation at June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 7,785,000	\$ 6,613,414	\$ 14,398,414
2018	8,095,000	6,185,075	14,280,075
2019	13,485,000	5,812,848	19,297,848
2020	8,525,000	5,426,350	13,951,350
2021	9,100,000	5,024,323	14,124,323
2022-2026	51,735,000	18,297,256	70,032,256
2027-2031	41,600,000	8,330,626	49,930,626
2032-2036	17,620,000	2,828,210	20,448,210
2037-2041	7,840,000	486,734	8,326,734
Totals	\$ 165,785,000	\$ 59,004,836	\$ 224,789,836

2016 Refunding Certificates of Participation

On March 17, 2016 the District issued \$6,600,000 of 2016 Refunding Certificates of Participation. The certificates of participation bear fixed interest rates of 3.00% to 4.00% with annual maturities from September 2016 through September 2021. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2016. The net proceeds of \$9,565,035 (after premium of \$502,419, escrow funds on hand of \$2,678,017 less cost of issuance of \$215,401) were used to refund \$3,120,000 of the District's outstanding 1997 Lease Revenue Bonds, Series A and \$6,150,000 of the District's outstanding 1999 Lease Revenue Bonds, Series A in addition to paying the costs relating to the execution and delivery of the refunding certificates of participation as associated with the refunding plan.

The net proceeds of \$9,565,035 was deposited into two individual separate escrow funds for the refunding of the 1997 Lease Revenue Bonds, Series A and the 1999 Lease Revenue Bonds, Series A with refunding to occur on the call date of September 1, 2016.

Refunding Certificates of Participation Calculation of Gain/Loss on Refunding:

New Debt: 2016 Refunding Certificates of Participation

Refunding: 1997 Lease Revenue Bonds, Series A
1999 Lease Revenue Bonds, Series A

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Net Carrying Amount of Debt:

Maturity Value of Old Debt	\$ <u>9,270,000</u>
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Reacquisition Price:

Face Value of New Debt	\$ 6,600,000
Escrow Funds on Hand	2,678,017
Premium on New Debt	502,419
Total	\$ <u>9,780,436</u>

Gain or (Loss) on Refunding	\$ <u>(510,436)</u>
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Refunding Certificates of Participation Calculation of Economic Gain/Loss:

The refunding decreased the District's total debt service payments by \$834,543.

Decrease in Debt Service Payments:

2016 Refunding Certificates of Participation	\$ 7,314,340
Old Debt (1997 & 1999 Lease Revenue Bonds)	<u>8,148,883</u>
Decrease in debt service payments	\$ <u>(834,543)</u>

Present Value Used as Effective Rate Target:

Face Amount of New Debt	\$ 6,600,000
Bond Premium	502,419
Escrow Funds on Hand	2,678,017
Costs not recoverable through escrow rate earnings	<u>(215,401)</u>
Present Value Used as Effective Rate Target	\$ <u>9,565,035</u>

Economic Gain:

Present Value of Old Debt	\$ 10,357,205
Present Value of New Debt	<u>9,565,035</u>
Calculated Economic Gain	\$ <u>792,170</u>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

5. Lease Revenue Bonds

Lease revenue bonds as of June 30, 2016 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
1997 Lease Revenue Bond	Mar 1997	4.25-5.00%	2020	\$ 9,000,000
1999 Lease Revenue Bond	Feb 1999	4.35-5.10%	2024	10,000,000
				<u>\$ 19,000,000</u>
	<u>Amount Outstanding 7/1/15</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Amount Outstanding 6/30/16</u>
1997 Lease Revenue Bond	\$ 3,830,000	\$ -	\$ 3,830,000	\$ -
1999 Lease Revenue Bond	6,800,000	-	6,800,000	-
	<u>\$ 10,630,000</u>	<u>\$ -</u>	<u>\$ 10,630,000</u>	<u>\$ -</u>

6. Debt Issue Premium

Debt issue premium arises when the market rate of interest is higher than the stated interest rate on the debt. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the debt and then amortize the premium over the life of the bond.

The District has issued bonds and certificates of participation at a premium. The premiums are being amortized over the life of the debt using the straight line method.

Premiums issued on the debt resulted in an effective interest rate as follows:

	<u>2013 Refunding COPS</u>	<u>2012 Refunding Bonds</u>	<u>2012 CFD Bonds</u>	<u>2013 Refunding Bonds</u>
Total Interest Payments	\$ 15,767,173	\$ 6,959,069	\$ 17,592,565	\$ 9,647,357
Less Premium	(4,827,149)	(2,184,212)	(960,059)	(3,509,136)
Net Interest Payments	<u>10,940,024</u>	<u>4,774,857</u>	<u>16,632,506</u>	<u>6,138,221</u>
Par amount of Bonds/COPS	\$ 41,650,000	\$ 18,580,000	\$ 31,000,000	\$ 30,755,000
Periods	16	17	24	17
Effective Interest Rate	1.642%	1.512%	2.236%	1.174%
	<u>2014 Refunding COPS</u>	<u>2015 Bonds</u>	<u>2016 COPS</u>	<u>2016 Refunding COPS</u>
Total Interest Payments	\$ 15,741,344	\$ 6,454,065	\$ 16,558,370	\$ 714,340
Less Premium	(3,910,330)	(764,272)	(2,161,675)	(502,419)
Net Interest Payments	<u>11,831,014</u>	<u>5,689,793</u>	<u>14,396,695</u>	<u>211,921</u>
Par amount of Bonds/COPS	\$ 42,420,000	\$ 14,000,000	\$ 36,785,000	\$ 6,600,000
Periods	17	25	25	6
Effective Interest Rate	1.641%	1.626%	1.565%	0.535%

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

M. Joint Ventures (Joint Powers Agreements)

The District participates in three joint powers agreement (JPA) entities, the San Diego County Schools Risk Management (SDCSR), the San Diego County Schools Fringe Benefits Consortium (SDCSFBC), and Self-Insured Schools of California (SISC). The relationship between the District and the JPA's is such that the JPA's are not component units of the District.

The JPA's arrange for and provide for various types of insurances for its member districts as requested. Each JPA is governed by a board consisting of a representative from each member district. The board controls the operations of each JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in each JPA.

Financial information on the District's share in each JPA for the year ended June 30, 2016 was not available at the time this report was issued. The information can be obtained by contacting the JPA directly.

N. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Paid

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
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The Plans' provisions and benefits in effect at June 30, 2016 are summarized as follows:

	CalSTRS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%*	1.0 - 2.4%*
Required employee contribution rates (at June 30, 2015)	8.150%	8.150%
Required employer contribution rates (at June 30, 2015)	8.880%	8.880%
Required state contribution rates (at June 30, 2016)	5.679%	5.679%
Required employee contribution rates (at June 30, 2016)	9.200%	8.560%**
Required employer contribution rates	10.73%	10.73%
Required state contribution rates	7.126%	7.126%

*Amounts are limited to 120% of Social Security Wage Base.

**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.5%	1.0 - 2.5%
Required employee contribution rates (at June 30, 2015)	7.000%	6.000%
Required employer contribution rates (at June 30, 2015)	11.771%	11.771%
Required employee contribution rates (at June 30, 2016)	7.000%	6.000%
Required employer contribution rates (at June 30, 2016)	11.847%	11.847%

*Amounts are limited to 120% of Social Security Wage Base.

c. Contributions - CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.771% of annual payroll. For the fiscal year ending June 30, 2016, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 11.847%.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

d. Contributions - CalSTRS

For the measurement period ended June 30, 2015 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 8.15% of the creditable compensation upon which members' contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 8.88% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary. For the fiscal year ended June 30, 2016 required employee rate is 9.20% if the employee started before January 1, 2013 and 8.56% if the employee started on or after January 1, 2013. For the fiscal year ended June 30, 2016 the required employer contribution rate is 10.730%.

e. On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2015 (measurement date) the State contributed 5.678848% of salaries creditable to CalSTRS. For the fiscal year ended June 30, 2016 the State contribution rate was 7.126% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

f. Contributions Recognized

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

	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 11,138,823	\$ 4,706,498	\$ 15,845,321
Contributions - Employee (paid by employer)	10,580,615	2,831,992	13,412,607
Contributions - State On Behalf Payments	6,161,460	-	6,161,460
Total Contributions	<u>\$ 27,880,898</u>	<u>\$ 7,538,490</u>	<u>\$ 35,419,388</u>

g. Pension Expense

For the year ended June 30, 2016, pension expense consisted of:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability	\$ 37,039,847	\$ 13,617,719	\$ 50,657,566
Change in Contributions Made Subsequent to Measurement Date	(2,965,217)	(385,774)	(3,350,991)
Change in Difference Between Actual & Expected Experience	(35,609)	(3,258,656)	(3,294,265)
Change in Assumptions	-	3,503,338	3,503,338
Changes in Proportionate Shares	(10,685,014)	(1,150,015)	(11,835,029)
Net Difference Between Projected & Actual Earnings	49,861	(12,087,083)	(12,037,222)
Total Pension Expense	<u>\$ 23,403,868</u>	<u>\$ 239,529</u>	<u>\$ 23,643,397</u>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
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2. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

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

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 183,229,918
CalPERS	52,997,397
Total Net Pension Liability	<u>\$ 236,227,315</u>

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

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

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share	Total for District Employees	
Proportion - June 30, 2014	0.2486%	0.1582%	0.4068%	0.3469%
Proportion - June 30, 2015	0.2714%	0.1501%	0.4216%	0.3595%
Change - Increase (Decrease)	<u>0.0228%</u>	<u>-0.0081%</u>	<u>0.0148%</u>	<u>0.0126%</u>

For the year ended June 30, 2016, the District recognized pension expense of \$23,643,397.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 19,196,312	\$ -
Differences between actual and expected experience	3,294,265	-
Changes in assumptions	-	(3,503,338)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	11,835,029	(10,175,301)
Net difference between projected and actual earnings on plan investments	<u>8,704,258</u>	<u>(58,804)</u>
Total	<u>\$ 43,029,864</u>	<u>\$ (13,737,443)</u>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

\$19,196,312 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows	Deferred Inflows	Net Effect on Expenses
2017	\$ 5,958,388	\$ (4,282,304)	\$ 1,676,084
2018	5,958,388	(4,282,304)	1,676,084
2019	5,958,388	(4,282,304)	1,676,084
2020	5,958,388	(890,531)	5,067,857
Total	<u>\$ 23,833,552</u>	<u>\$ (13,737,443)</u>	<u>\$ 10,096,109</u>

a. Actuarial Assumptions

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

	CalSTRS	CalPERS
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.00%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05%-5.6% (1)	3.20%-10.80% (1)
Investment Rate of Return	7.6% (2)	7.65% (2)
Mortality	0.013%-0.435% (3)	0.001%-0.459% (3)

- (1) Depending on age, service, and type of employment.
- (2) Net of pension plan investment expenses, including inflation.
- (3) Industry standard published by the Society of Actuaries.

b. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.65% for CalPERS. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.60% and 7.65% discount rates are adequate and the use of the District bond rate calculation is not necessary. The long-term expected discount rate of 7.60% and 7.65% will be applied to all plans in the CalSTRS and CalPERS retirement funds. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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

In determining the long-term expected rate of return, CalSTRS and 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 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 quarter of one percent.

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

CalSTRS

Asset Class	Strategic Allocation	Long Term Expected Return*
Global Equity	57.40%	4.50%
Private Equity	10.10%	6.20%
Real Estate	12.70%	4.35%
Inflation Sensitive	0.80%	3.20%
Fixed Income	15.70%	0.20%
Absolute Return	1.50%	-
Liquidity	1.80%	-

*10 year geometric average used for long term expected real rate of return

CalPERS

Asset Class	Strategic Allocation	Real Return (Years 1-10)(1)	Real Return (Years 11+)(2)
Global Equity	53.80%	5.25%	5.71%
Global Fixed Income	17.60%	0.99%	2.43%
Inflation Sensitive	5.20%	0.45%	3.36%
Private Equity	9.60%	6.83%	6.95%
Real Estate	10.50%	4.50%	5.13%
Absolute Return	0.40%	-	-
Plan Level	0.40%	-	-
Liquidity	2.50%	-0.55%	-1.05%

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

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

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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c. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	\$ 275,928,794	\$ 86,257,682
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 183,229,918	\$ 52,997,397
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 105,299,405	\$ 25,339,251

d. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2015 (Previously Reported)	\$ 1,012,511,362	\$ 774,803,951	\$ 237,707,411	\$ 92,443,018	\$ 145,264,393
Adjustment for CalSTRS Audit Adjustments	-	(682,579)	682,579	(243,099)	925,678
Balance at June 30, 2015 (As Adjusted)	<u>1,012,511,362</u>	<u>774,121,372</u>	<u>238,389,990</u>	<u>92,199,919</u>	<u>146,190,071</u>
Changes for the year:					
Change in proportionate share	36,863,939	28,209,387	8,654,552	(4,701,715)	13,356,267
Service cost	23,423,363	-	23,423,363	8,342,182	15,081,181
Interest	78,229,650	-	78,229,650	27,861,328	50,368,322
Differences between expected and actual experience	(5,531,219)	-	(5,531,219)	(1,969,932)	(3,561,287)
Contributions:					
Employer	-	11,138,823	(11,138,823)	(4,020,667)	(7,118,156)
Employee	-	10,580,615	(10,580,615)	(3,768,264)	(6,812,351)
State On Behalf	-	6,161,460	(6,161,460)	(2,140,793)	(4,020,667)
Net investment income	-	32,089,688	(32,089,688)	(11,428,676)	(20,661,012)
Other income	-	16,589	(16,589)	(5,908)	(10,681)
Benefit payments, including refunds of employee contributions	(52,970,680)	(52,970,680)	-	-	-
Administrative expenses	-	(649,576)	649,576	231,346	418,231
Net Changes	<u>80,015,052</u>	<u>34,576,305</u>	<u>45,438,747</u>	<u>8,398,900</u>	<u>37,039,847</u>
Balance at June 30, 2016	<u>\$ 1,092,526,414</u>	<u>\$ 808,697,677</u>	<u>\$ 283,828,737</u>	<u>\$ 100,598,819</u>	<u>\$ 183,229,918</u>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
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CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2015 (Previously Reported)	\$ 236,896,181	\$ 197,516,503	\$ 39,379,678
Changes for the year:			
Adjustment for Change in Proportionate Share	8,647,680	7,210,161	1,437,519
Service cost	5,842,597	-	5,842,597
Interest	18,525,663	-	18,525,663
Differences between expected and actual experience	4,073,320	-	4,073,320
Changes in assumptions	(4,379,172)	-	(4,379,172)
Contributions - Employer	-	4,706,498	(4,706,498)
Contributions - Employee	-	2,831,992	(2,831,992)
Net plan to plan resource movement	-	(464)	464
Net investment income	-	4,574,739	(4,574,739)
Benefit payments, including refunds of employee contributions	(11,987,550)	(11,987,550)	-
Administrative expenses	-	(230,557)	230,557
Net Changes	<u>20,722,538</u>	<u>7,104,819</u>	<u>13,617,719</u>
Balance at June 30, 2016	<u>\$ 257,618,719</u>	<u>\$ 204,621,322</u>	<u>\$ 52,997,397</u>

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

O. Postemployment Benefits Other Than Pension Benefits

Plan Description

The Chula Vista Elementary School District (District) administers a single-employer healthcare plan (Plan). The plan provides medical benefits to eligible retirees through age 65 up to an annual maximum. Eligibility for retiree health benefits requires retirement from the District with at least 10 years (5 years for Certificated employees hired prior to October 1, 2007) of service and retirement under STRS or PERS on or after age 55. The annual maximum for Certificated and Certificated Management employees was frozen at its current level of \$3,778. For Classified employees who had health benefits as of September 18, 2007, the maximum is based on age and service at retirement. For Classified employees who become benefit eligible after September 18, 2007 or who are hired after September 18, 2007, the maximum is \$3,778. The District also provides \$1,200 for any employee waiving coverage. The retiree pays for any amounts above the annual maximum and for the cost of covering dependents. Retirees can elect dental and vision coverage on a self-pay basis. The District does not provide any retiree health benefits beyond the retiree's attainment of age 65. Membership of the plan as of the valuation date consists of approximately 2,718 eligible active employees and 219 eligible retirees.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
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Contribution Information

The contribution requirements of Plan members and the District are established and amended by the District and the Chula Vista Education (CVE) and the Chula Vista Classified Employee Organization (CVCEO). In fiscal year 2008-09, the District approved an agreement and election to pre-fund other post employment benefits through the California Employers' Retiree Benefit Trust (CERBT), a qualified trust fund. Based on the pre-funding through a GASB eligible trust, the valuation results of the measurement of the liability and annual required contribution is calculated at a 7.61% discount rate which is equal to the expected long-term rate of the plan assets under the qualified trust investment policy. For fiscal year 2015-16, the District contributed \$2,177,918 to the Plan, \$803,401 which was used for current premiums, and \$1,374,517 as the pre-funded amount to the qualified trust.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost of the year, the amount actually contributed to the plan and changes in the District's net obligation to the Plan:

Annual required contribution	\$ 3,114,442
Interest on net OPEB obligation	-
Adjustment to annual required contribution	(887,380)
Annual OPEB cost (expense)	<u>2,227,062</u>
Contribution made	<u>(2,177,918)</u>
Change in net OPEB obligation	49,144
Net OPEB obligation, beginning of year	1,374,517
Net OPEB obligation, end of year	<u>\$ 1,423,661</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013-14, 2014-15, and 2015-16 was as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	\$ 2,244,245	96%	\$ 1,367,362
2015	2,201,974	99%	1,374,517
2016	2,227,062	98%	1,423,661

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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 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, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorated. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the employer were included in the valuation.

Medical cost trend rates ranged from an initial rate of 7.0% reduced to a rate of 5.0% after four years. The UAAL is being amortized at a level dollar method on a closed basis with the remaining amortization period at June 30, 2016 of 21 years. The actuarial value of assets as determined in the schedule of funding progress is on a market value basis.

P. Adjustment to Beginning Net Position

With the implementation of GASB Statement No 68 & 71, the District relied upon information provided by CalSTRS and CalPERS in order to calculate their proportion of the net pension liability, deferred outflows of resources - pension related, and deferred inflows of resources - pension related. Proportionate share was determined based on the calculated proportionate share provided by CalSTRS. During the current year it was determined that the CalSTRS proportionate share amount did not include payments made on behalf of district employees by the California Department of Education under a special funding agreement. As a result, there was an understatement in proportionate share reported by the District which is being corrected with an adjustment to beginning net position. Additionally, CalSTRS auditors made audit adjustments to CalSTRS records which affected beginning net position for the District and is also being adjusted.

Beginning net position was adjusted as follows:

Net Position, Beginning (As Originally Stated)	\$ 3,626,272
Adjustments for:	
Net Pension Liability Corrections	(1,792,000)
Deferred Outflows of Resources - Pension Related Corrections	(141,986)
Deferred Inflows of Resources - Pension Related Corrections	<u>35,527,693</u>
Net Position, Beginning (As Restated)	<u>\$ 37,219,979</u>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

Q. Components of Ending Fund Balance

As of June 30, 2016 ending fund balance consisted of the following:

	<u>Major Governmental Funds</u>				
	<u>General Fund</u>	<u>Charter School Fund</u>	<u>Blended Component Unit Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable Fund Balances					
Revolving Cash	\$ 35,000	\$ 10,000	\$ -	\$ -	\$ 45,000
Stores Inventories	692,784	-	-	149,801	842,585
Prepaid Items	3,060	1,575	-	-	4,635
Restricted Fund Balances					
Capital Projects	-	-	-	7,828,242	7,828,242
Child Nutrition Program	-	-	-	3,043,107	3,043,107
Child Development Program	-	-	-	242,538	242,538
Educational Programs	3,493,343	821,343	-	-	4,314,686
Assigned Fund Balances					
Capital Projects	-	-	62,564,305	3,152,055	65,716,360
Debt Service	-	-	-	9,271,120	9,271,120
Educational Programs	7,601,667	15,325,508	-	-	22,927,175
Unassigned Fund Balances					
For Economic Uncertainty	51,058,344	-	-	-	51,058,344
Total Fund Balance	<u>\$ 62,884,198</u>	<u>\$ 16,158,426</u>	<u>\$ 62,564,305</u>	<u>\$ 23,686,863</u>	<u>\$ 165,293,792</u>

R. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to view 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.

S. Construction Commitments

As of June 30, 2016 the District had the following commitments with respect to unfinished capital projects:

	<u>Commitment</u>	<u>Expected Date of Completion*</u>
Construction in Process:		
Saburo Muraoka Elementary	\$ 38,813,310	July 2017

*Expected date of completion subject to change.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

T. Subsequent Events

New Accounting Pronouncements

GASB Statement No. 74

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

The District has adopted the provisions of GASB Statement No. 74 effective for the 2016-17 fiscal year.

GASB Statement No. 77

In August 2015, the Governmental Accounting Standards Board issued Statement No. 77, Tax Abatement Disclosures. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.

The gross dollar amount of taxes abated during the period.

Commitments made by a government, other than to abate taxes, as a part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

The names of the governments that entered into the agreements

The specific taxes being abated

The gross dollar amount of taxes abated during the period

The District has adopted the provisions of GASB Statement No. 77 effective for the 2016-17 fiscal year.

GASB Statement No. 78

In December 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 78 Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

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

The District has adopted the provisions of GASB Statement No. 78 effective for the 2016-17 fiscal year.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

GASB Statement No. 79

In December 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 79 Certain External Investment Pools and Pool Participants This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

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

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

The District has adopted the provisions of GASB Statement No. 79 effective for the 2016-17 fiscal year.

GASB Statement No. 80

In January 2016 the Governmental Accounting Standards Board (GASB) issued Statement No. 80 Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The District has adopted the provisions of GASB Statement No. 80 effective for the 2016-17 fiscal year.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 98,543,091	\$ 86,519,567	\$ 85,670,169	\$ (849,398)
Education Protection Account Funds	26,973,245	30,556,729	30,291,781	(264,948)
Local Sources	59,776,019	68,089,701	69,434,772	1,345,071
Federal Revenue	13,802,061	15,214,585	15,400,235	185,650
Other State Revenue	20,832,781	30,068,266	29,854,816	(213,450)
Other Local Revenue	25,979,619	28,348,924	28,062,124	(286,800)
Total Revenues	<u>245,906,816</u>	<u>258,797,772</u>	<u>258,713,897</u>	<u>(83,875)</u>
Expenditures:				
Current:				
Certificated Salaries	114,224,386	111,690,319	111,488,438	201,881
Classified Salaries	38,949,411	38,493,823	38,666,795	(172,972)
Employee Benefits	41,779,933	48,561,134	48,353,184	207,950
Books And Supplies	9,810,654	11,906,900	11,100,171	806,729
Services And Other Operating Expenditures	33,707,211	28,792,593	26,801,076	1,991,517
Other Outgo	-	1,165,845	1,057,264	108,581
Direct Support/Indirect Costs	(678,548)	(655,157)	(650,693)	(4,464)
Capital Outlay	742,856	3,791,280	3,916,597	(125,317)
Debt Service:				
Principal	426,481	426,481	221,338	205,143
Interest	56,411	56,411	261,554	(205,143)
Total Expenditures	<u>239,018,795</u>	<u>244,229,629</u>	<u>241,215,724</u>	<u>3,013,905</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,888,021</u>	<u>14,568,143</u>	<u>17,498,173</u>	<u>2,930,030</u>
Other Financing Sources (Uses):				
Transfers Out	-	(524,245)	(524,245)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(524,245)</u>	<u>(524,245)</u>	<u>-</u>
Net Change in Fund Balance	<u>6,888,021</u>	<u>14,043,898</u>	<u>16,973,928</u>	<u>2,930,030</u>
Fund Balance, July 1	45,910,270	45,910,270	45,910,270	-
Fund Balance, June 30	<u>\$ 52,798,291</u>	<u>\$ 59,954,168</u>	<u>\$ 62,884,198</u>	<u>\$ 2,930,030</u>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT

EXHIBIT B-2

CHARTER SCHOOL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 26,059,470	\$ 22,469,291	\$ 21,973,046	\$ (496,245)
Education Protection Account Funds	6,325,188	7,078,982	7,580,156	501,174
Local Sources	14,201,437	15,893,368	16,185,775	292,407
Federal Revenue	1,371,971	1,769,106	1,590,884	(178,222)
Other State Revenue	4,273,166	6,068,160	6,404,191	336,031
Other Local Revenue	396,813	454,645	435,640	(19,005)
Total Revenues	<u>52,628,045</u>	<u>53,733,552</u>	<u>54,169,692</u>	<u>436,140</u>
Expenditures:				
Current:				
Certificated Salaries	20,640,941	20,808,991	20,851,824	(42,833)
Classified Salaries	4,267,621	4,832,268	4,983,876	(151,608)
Employee Benefits	6,643,049	8,084,778	7,959,038	125,740
Books And Supplies	4,817,907	6,022,142	2,325,065	3,697,077
Services And Other Operating Expenditures	11,289,382	12,048,626	11,577,114	471,512
Other Outgo	-	15,061	5,851	9,210
Capital Outlay	-	637,819	218,881	418,938
Total Expenditures	<u>47,658,900</u>	<u>52,449,685</u>	<u>47,921,649</u>	<u>4,528,036</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,969,145</u>	<u>1,283,867</u>	<u>6,248,043</u>	<u>4,964,176</u>
Other Financing Sources (Uses):				
Transfers Out	(593,263)	(593,263)	(593,263)	-
Total Other Financing Sources (Uses)	<u>(593,263)</u>	<u>(593,263)</u>	<u>(593,263)</u>	<u>-</u>
Net Change in Fund Balance	<u>4,375,882</u>	<u>690,604</u>	<u>5,654,780</u>	<u>4,964,176</u>
Fund Balance, July 1	10,503,646	10,503,646	10,503,646	-
Fund Balance, June 30	<u>\$ 14,879,528</u>	<u>\$ 11,194,250</u>	<u>\$ 16,158,426</u>	<u>\$ 4,964,176</u>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS-HEALTH BENEFITS PLAN
 CHULA VISTA ELEMENTARY SCHOOL DISTRICT
 YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/08	\$ -	\$ 14,914,955	\$ 14,914,955	-	\$ 161,411,029	9.2%
6/30/09	842,774	15,169,024	14,326,250	5.6%	152,401,586	9.4%
6/30/09	1,990,786	15,169,024	13,178,238	13.1%	152,052,591	8.7%
6/30/10	4,656,315	17,051,918	12,395,603	27.3%	141,380,270	8.8%
6/30/11	5,509,885	18,775,161	13,265,276	29.3%	143,259,694	9.3%
6/30/11	7,269,907	18,775,161	11,505,254	38.7%	148,985,622	7.7%
6/30/13	10,235,444	21,358,125	11,122,681	47.9%	153,217,541	7.2%
6/30/13	11,665,262	21,358,125	9,692,863	54.6%	173,752,616	5.6%
6/30/15	13,289,984	22,721,802	9,431,818	58.5%	181,432,734	5.2%

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.2714%	0.2486%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 183,229,918	146,190,071	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	\$ 100,598,818	\$ 92,199,919	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total share of net pension liability (asset) associated with the District	\$ 283,828,736	\$ 238,389,990	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 131,444,921	125,437,196	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	139.40%	116.54%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 was the first implementation year and as such, no information is being presented for years prior to implementation.

Notes to Schedule:

- 1) Benefit Changes: In 2015 and 2016 there were no changes to benefits.
- 2) Changes in Assumptions: In 2015 and 2016, there were no changes in assumptions.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 14,104,040	11,138,823	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(14,104,040)	(11,138,823)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll Contributions as a percentage of covered-employee payroll	\$ 131,444,921	125,437,196	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

Notes to Schedule:

N/A - 2014-15 was the first year of implementation and as such, information is not being presented for years prior to implementation.

Actuarial methods and assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013 and June 30, 2014, and rolling forward the total pension liability to June 30, 2014 and June 30, 2015. The financial reporting actuarial valuation as of June 30, 2013 and June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	06/30/14	06/30/15
Experience Study	07/01/06 - 06/30/10	07/01/07 - 06/30/11
Actuarial Cost Method	Entry age normal	
Investment Rate of Return	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%
Post-retirement Benefit Increases	2.00% simple	2.00% simple

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

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

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.3595%	0.3469%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 52,997,397	\$ 39,379,678	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 42,983,641	\$ 39,983,842	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	132.55%	107.97%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 was the first year of implementation and as such, years previous to implementation are not presented in this schedule.

Notes to Schedule:

- 1) Benefit changes: In 2015 and 2016 there were no changes to the benefits.
- 2) Changes in assumptions: In 2015, there were no changes to assumptions. In 2016 the discount rate was changed from 7.5% to 7.65% to correct for an adjustment to exclude administrative expenses.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 5,092,272	\$ 4,706,498	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(5,092,272)	(4,706,498)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 42,983,641	\$ 39,983,842	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

N/A - 2014-15 fiscal year was the first year of implementation and as such, years previous to implementation are not presented in this schedule.

Notes to Schedule

For the measurement period ended June 30, 2014 and June 30, 2015 (the measurement dates), the total pension liability was determined by rolling forward the June 30, 2013 and June 30, 2014 total pension liability. The June 30, 2014 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method: Entry Age Normal in accordance with the requirements of GASB Statement No. 68

Actuarial Assumptions	06/30/14	06/30/15
Valuation Date	07/01/96 -	07/01/97 -
Experience Study	06/30/10	06/30/11
Discount Rate	7.50%	7.65%
Inflation	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%
Post Retirement Increase	2.00% Simple	2.00-2.75%

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2013 and 2014 experience study reports available on the CalPERS website.

All other actuarial assumptions used in the valuations were based on the results of actuarial experience studies for periods noted above, including updates to salary increase, mortality and retirement rates. Further details of the Experience Studies can be found at CalPERS' website.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Excess of Expenditures Over Appropriations

As of June 30, 2016, expenditures exceeded appropriations in individual budgeted funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:		
Classified Salaries \$	172,972	Unexpected increase in salaries for the year
Capital Outlay	125,317	Underestimated amount required for capital outlay
Debt Service-Interest	205,143	Underestimated amount required for debt service
Charter School Fund:		
Certificated Salaries	42,833	Unexpected increase in salaries for the year
Classified Salaries	151,608	Unexpected increase in salaries for the year

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 51,889	\$ 9,271,120	\$ 6,302,519	\$ 15,625,528
Cash on Hand and in Banks	859,815	-	-	859,815
Cash with a Fiscal Agent/Trustee	-	-	4,585,479	4,585,479
Accounts Receivable	2,807,097	-	8,504	2,815,601
Due from Other Funds	-	-	5,465	5,465
Stores Inventories	149,801	-	-	149,801
Total Assets	<u>3,868,602</u>	<u>9,271,120</u>	<u>10,901,967</u>	<u>24,041,689</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Expenditures	-	-	118,790	118,790
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>118,790</u>	<u>118,790</u>
Total Assets and Deferred Outflows	<u>\$ 3,868,602</u>	<u>\$ 9,271,120</u>	<u>\$ 11,020,757</u>	<u>\$ 24,160,479</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 274,865	\$ -	\$ 33,094	\$ 307,959
Due to Other Funds	154,080	-	11,577	165,657
Total Liabilities	<u>428,945</u>	<u>-</u>	<u>44,671</u>	<u>473,616</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	149,801	-	-	149,801
Restricted Fund Balances	3,285,645	-	7,828,242	11,113,887
Assigned Fund Balances	4,211	9,271,120	3,147,844	12,423,175
Total Fund Balance	<u>3,439,657</u>	<u>9,271,120</u>	<u>10,976,086</u>	<u>23,686,863</u>
Total Liabilities and Fund Balances	<u>\$ 3,868,602</u>	<u>\$ 9,271,120</u>	<u>\$ 11,020,757</u>	<u>\$ 24,160,479</u>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 10,738,016	\$ -	\$ -	\$ 10,738,016
Other State Revenue	3,345,005	92,130	-	3,437,135
Other Local Revenue	1,571,113	9,459,746	1,241,643	12,272,502
Total Revenues	<u>15,654,134</u>	<u>9,551,876</u>	<u>1,241,643</u>	<u>26,447,653</u>
Expenditures:				
Instruction	2,026,307	-	-	2,026,307
Instruction - Related Services	271,705	-	-	271,705
Pupil Services	13,731,609	-	-	13,731,609
General Administration	650,694	-	70,815	721,509
Plant Services	233,923	-	19,230,784	19,464,707
Debt Service:				
Principal	-	22,270,000	230,000	22,500,000
Interest	-	9,367,667	363,263	9,730,930
Total Expenditures	<u>16,914,238</u>	<u>31,637,667</u>	<u>19,894,862</u>	<u>68,446,767</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,260,104)</u>	<u>(22,085,791)</u>	<u>(18,653,219)</u>	<u>(41,999,114)</u>
Other Financing Sources (Uses):				
Transfers In	400,000	21,538,246	717,508	22,655,754
Total Other Financing Sources (Uses)	<u>400,000</u>	<u>21,538,246</u>	<u>717,508</u>	<u>22,655,754</u>
Net Change in Fund Balance	(860,104)	(547,545)	(17,935,711)	(19,343,360)
Fund Balance, July 1	4,299,761	9,818,665	28,911,797	43,030,223
Fund Balance, June 30	<u>\$ 3,439,657</u>	<u>\$ 9,271,120</u>	<u>\$ 10,976,086</u>	<u>\$ 23,686,863</u>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Child Development Fund	Cafeteria Fund
ASSETS:		
Cash in County Treasury	\$ 47,494	\$ 288
Cash on Hand and in Banks	-	859,815
Accounts Receivable	429,841	2,377,143
Stores Inventories	-	149,801
Total Assets	<u>477,335</u>	<u>3,387,047</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 80,726	\$ 194,139
Due to Other Funds	154,071	-
Total Liabilities	<u>234,797</u>	<u>194,139</u>
Fund Balance:		
Nonspendable Fund Balances:		
Stores Inventories	-	149,801
Restricted Fund Balances	242,538	3,043,107
Assigned Fund Balances	-	-
Total Fund Balance	<u>242,538</u>	<u>3,192,908</u>
Total Liabilities and Fund Balances	<u>\$ 477,335</u>	<u>\$ 3,387,047</u>

EXHIBIT C-3

Deferred Maintenance Fund	Pupil Transportation Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ -	\$ 4,107	\$ 51,889
-	-	859,815
9	104	2,807,097
-	-	149,801
<u>9</u>	<u>4,211</u>	<u>3,868,602</u>
\$ -	\$ -	\$ 274,865
9	-	154,080
<u>9</u>	<u>-</u>	<u>428,945</u>
-	-	149,801
-	-	3,285,645
-	4,211	4,211
<u>-</u>	<u>4,211</u>	<u>3,439,657</u>
<u>\$ 9</u>	<u>\$ 4,211</u>	<u>\$ 3,868,602</u>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Child Development Fund	Cafeteria Fund
Revenues:		
Federal Revenue	\$ 90,016	\$ 10,648,000
Other State Revenue	2,654,434	690,571
Other Local Revenue	2,930	1,567,365
Total Revenues	<u>2,747,380</u>	<u>12,905,936</u>
Expenditures:		
Instruction	2,026,307	-
Instruction - Related Services	271,705	-
Pupil Services	1,066	13,332,569
General Administration	119,526	531,168
Plant Services	176,126	-
Total Expenditures	<u>2,594,730</u>	<u>13,863,737</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>152,650</u>	<u>(957,801)</u>
Other Financing Sources (Uses):		
Transfers In	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balance	152,650	(957,801)
Fund Balance, July 1	89,888	4,150,709
Fund Balance, June 30	<u>\$ 242,538</u>	<u>\$ 3,192,908</u>

EXHIBIT C-4

Deferred Maintenance Fund	Pupil Transportation Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ -	\$ -	\$ 10,738,016
-	-	3,345,005
258	560	1,571,113
<u>258</u>	<u>560</u>	<u>15,654,134</u>
-	-	2,026,307
-	-	271,705
-	397,974	13,731,609
-	-	650,694
57,797	-	233,923
<u>57,797</u>	<u>397,974</u>	<u>16,914,238</u>
<u>(57,539)</u>	<u>(397,414)</u>	<u>(1,260,104)</u>
-	400,000	400,000
<u>-</u>	<u>400,000</u>	<u>400,000</u>
(57,539)	2,586	(860,104)
57,539	1,625	4,299,761
<u>\$ -</u>	<u>\$ 4,211</u>	<u>\$ 3,439,657</u>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2016

	Bond Interest & Redemption	Blended Component Unit	Total Nonmajor Debt Service Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 9,271,120	\$ -	\$ 9,271,120
Total Assets	<u>9,271,120</u>	<u>-</u>	<u>9,271,120</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Assigned Fund Balances	\$ 9,271,120	\$ -	\$ 9,271,120
Total Fund Balance	<u>9,271,120</u>	<u>-</u>	<u>9,271,120</u>
Total Liabilities and Fund Balances	<u>\$ 9,271,120</u>	<u>\$ -</u>	<u>\$ 9,271,120</u>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Bond Interest & Redemption	Blended Component Unit	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:			
Other State Revenue	\$ 92,130	\$ -	\$ 92,130
Other Local Revenue	9,459,746	-	9,459,746
Total Revenues	<u>9,551,876</u>	<u>-</u>	<u>9,551,876</u>
Expenditures:			
Debt Service:			
Principal	6,325,000	15,945,000	22,270,000
Interest	3,774,421	5,593,246	9,367,667
Total Expenditures	<u>10,099,421</u>	<u>21,538,246</u>	<u>31,637,667</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(547,545)</u>	<u>(21,538,246)</u>	<u>(22,085,791)</u>
Other Financing Sources (Uses):			
Transfers In	-	21,538,246	21,538,246
Total Other Financing Sources (Uses)	<u>-</u>	<u>21,538,246</u>	<u>21,538,246</u>
Net Change in Fund Balance	(547,545)	-	(547,545)
Fund Balance, July 1	9,818,665	-	9,818,665
Fund Balance, June 30	<u>\$ 9,271,120</u>	<u>\$ -</u>	<u>\$ 9,271,120</u>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2016

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 279,668	\$ 5,343,132	\$ 679,719	\$ 6,302,519
Cash with a Fiscal Agent/Trustee	48,916	4,536,563	-	4,585,479
Accounts Receivable	469	7,062	973	8,504
Due from Other Funds	306	4,950	209	5,465
Total Assets	<u>329,359</u>	<u>9,891,707</u>	<u>680,901</u>	<u>10,901,967</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Expenditures	-	118,790	-	118,790
Total Deferred Outflows of Resources	<u>-</u>	<u>118,790</u>	<u>-</u>	<u>118,790</u>
Total Assets and Deferred Outflows	<u>\$ 329,359</u>	<u>\$ 10,010,497</u>	<u>\$ 680,901</u>	<u>\$ 11,020,757</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 8,524	\$ 24,570	\$ -	\$ 33,094
Due to Other Funds	3,400	8,129	48	11,577
Total Liabilities	<u>11,924</u>	<u>32,699</u>	<u>48</u>	<u>44,671</u>
Fund Balance:				
Restricted Fund Balances	-	7,828,242	-	7,828,242
Assigned Fund Balances	317,435	2,149,556	680,853	3,147,844
Total Fund Balance	<u>317,435</u>	<u>9,977,798</u>	<u>680,853</u>	<u>10,976,086</u>
Total Liabilities and Fund Balances	<u>\$ 329,359</u>	<u>\$ 10,010,497</u>	<u>\$ 680,901</u>	<u>\$ 11,020,757</u>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other Local Revenue	\$ 18,322	\$ 1,220,205	\$ 3,116	\$ 1,241,643
Total Revenues	<u>18,322</u>	<u>1,220,205</u>	<u>3,116</u>	<u>1,241,643</u>
Expenditures:				
General Administration	-	70,815	-	70,815
Plant Services	17,359,531	1,556,285	314,968	19,230,784
Debt Service:				
Principal	230,000	-	-	230,000
Interest	363,263	-	-	363,263
Total Expenditures	<u>17,952,794</u>	<u>1,627,100</u>	<u>314,968</u>	<u>19,894,862</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(17,934,472)</u>	<u>(406,895)</u>	<u>(311,852)</u>	<u>(18,653,219)</u>
Other Financing Sources (Uses):				
Transfers In	717,508	-	-	717,508
Total Other Financing Sources (Uses)	<u>717,508</u>	<u>-</u>	<u>-</u>	<u>717,508</u>
Net Change in Fund Balance	(17,216,964)	(406,895)	(311,852)	(17,935,711)
Fund Balance, July 1	17,534,399	10,384,693	992,705	28,911,797
Fund Balance, June 30	<u>\$ 317,435</u>	<u>\$ 9,977,798</u>	<u>\$ 680,853</u>	<u>\$ 10,976,086</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

CHULA VISTA ELEMENTARY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2016

The Chula Vista Elementary School District was established in 1892 and is comprised of an area of approximately 103 square miles in San Diego County. There were no changes in the boundaries of the District during the current fiscal year. The District is currently operating forty five elementary schools and is the largest kindergarten through grade six district in the state. In April 1994, the District authorized the Mueller Charter School which provides education to students in grades K-9. In May 1994, the District authorized the Discovery Charter School which provides education to students in grades K-8. In August 1997, the District authorized the Feaster Charter School which provides education to students in grades K-8. In July 1998, the District authorized the Chula Vista Learning Community Charter School which provides education to students in grades K-11. In May 2002, the District authorized the Arroyo Vista Charter School which provides education to students in grades K-8. In July 2009, the District authorized the Leonardo Da Vinci Health Sciences Charter School which is organized under the Non-Profit Public Benefit Corporation Law which provides education to students in grades K-6. In February 2011, the District authorized the Howard Gardner Community Charter School which is organized under the Non-Profit Public Benefit Corporation Law which provides education to students in grades K-8.

<u>Governing Board</u>		
<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Dr. Eduardo Reyes	President	Four Year Term Expires December 2018
Mrs. Marissa A. Bejarano	Vice President	Four Year Term Expires December 2016
Dr. Glendora M. Tremper	Clerk	Four Year Term Expires December 2016
Mr. Francisco Tamayo	Member	Four Year Term Expires December 2018
Mrs. Leslie Ray Bunker	Member	Four Year Term Expires December 2018

<u>Administration</u>
Dr. Francisco Escobedo Superintendent
Dr. Jeffrey Thiel Assistant Superintendent Human Resources Services
Mr. Oscar Esquivel Assistant Superintendent Business Services

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2016

TABLE D-1

Chula Vista Elementary School District

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	12,706.12	N/A	12,729.33	N/A
Extended Year Special Education	11.47	N/A	11.47	N/A
Nonpublic, Nonsectarian Schools	2.32	N/A	1.99	N/A
Extended Year - Nonpublic	0.30	N/A	0.30	N/A
TK/K-3 Totals	<u>12,720.21</u>	<u>N/A</u>	<u>12,743.09</u>	<u>N/A</u>
Grades 4-6:				
Regular ADA	10,293.30	N/A	10,298.25	N/A
Extended Year Special Education	8.92	N/A	8.92	N/A
Nonpublic, Nonsectarian Schools	12.92	N/A	13.71	N/A
Extended Year - Nonpublic	2.87	N/A	2.87	N/A
Grades 4-6 Totals	<u>10,318.01</u>	<u>N/A</u>	<u>10,323.75</u>	<u>N/A</u>
ADA Totals	<u>23,038.22</u>	<u>N/A</u>	<u>23,066.84</u>	<u>N/A</u>

Arroyo Vista Charter School

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA - Classroom Based	420.07	N/A	419.15	N/A
Grades 4-6:				
Regular ADA - Classroom Based	390.78	N/A	390.15	N/A
Grades 7 and 8:				
Regular ADA - Classroom Based	152.83	N/A	152.36	N/A
ADA Totals	<u>963.68</u>	<u>N/A</u>	<u>961.66</u>	<u>N/A</u>

Chula Vista Learning Charter School

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA - Classroom Based	536.38	N/A	535.07	N/A
Grades 4-6:				
Regular ADA - Classroom Based	355.21	N/A	354.09	N/A
Grades 7 and 8:				
Regular ADA - Classroom Based	214.26	N/A	213.34	N/A
Grades 9 through 12				
Regular ADA - Classroom Based	297.61	N/A	296.99	N/A
ADA Totals-Classroom Based	<u>1,403.46</u>	<u>N/A</u>	<u>1,399.49</u>	<u>N/A</u>
Non Classroom Based				
Grades 7 and 8	0.43	N/A	0.18	N/A
Grades 9 through 12	-	N/A	0.38	N/A
ADA Totals	<u>1,403.89</u>	<u>N/A</u>	<u>1400.05</u>	<u>N/A</u>

Discovery Charter School

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA - Classroom Based	411.82	N/A	411.32	N/A
Grades 4-6:				
Regular ADA - Classroom Based	367.48	N/A	367.61	N/A
Grades 7 and 8:				
Regular ADA - Classroom Based	99.45	N/A	99.24	N/A
ADA Totals	<u>878.75</u>	<u>N/A</u>	<u>878.17</u>	<u>N/A</u>

Feaster Charter School

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA - Classroom Based	578.41	N/A	578.09	N/A
Grades 4-6:				
Regular ADA - Classroom Based	430.31	N/A	430.30	N/A
Grades 7 and 8:				
Regular ADA - Classroom Based	168.20	N/A	167.40	N/A
ADA Totals	<u>1,176.92</u>	<u>N/A</u>	<u>1,175.79</u>	<u>N/A</u>

Mueller Charter School

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA - Classroom Based	520.95	N/A	519.40	N/A
Grades 4-6:				
Regular ADA - Classroom Based	350.14	N/A	349.41	N/A
Grades 7 and 8:				
Regular ADA - Classroom Based	182.67	N/A	181.93	N/A
Grade 9:				
Regular ADA - Classroom Based	189.83	N/A	189.53	N/A
ADA Totals-Classroom Based	<u>1,243.59</u>	<u>N/A</u>	<u>1,240.27</u>	<u>N/A</u>
Non Classroom Based				
Grades 7 and 8	0.11	N/A	0.08	N/A
ADA Totals	<u>1,243.70</u>	<u>N/A</u>	<u>1,240.35</u>	<u>N/A</u>

N/A - There were no audit findings which resulted in necessary revisions to attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school. 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 and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2016

TABLE D-2

Grade Level	Ed. Code 46207 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Chula Vista Elementary School District					
Transitional Kindergarten	36,000	36,000	180	-	Complied
Kindergarten	36,000	51,900	180	-	Complied
Grade 1	50,400	50,500	180	-	Complied
Grade 2	50,400	50,500	180	-	Complied
Grade 3	50,400	50,500	180	-	Complied
Grade 4	54,000	54,000	180	-	Complied
Grade 5	54,000	54,000	180	-	Complied
Grade 6	54,000	54,000	180	-	Complied
Arroyo Vista Charter School					
Transitional Kindergarten	36,000	36,000	180	-	Complied
Kindergarten	36,000	57,600	180	-	Complied
Grade 1	50,400	52,950	180	-	Complied
Grade 2	50,400	52,950	180	-	Complied
Grade 3	50,400	52,950	180	-	Complied
Grade 4	54,000	54,900	180	-	Complied
Grade 5	54,000	54,900	180	-	Complied
Grade 6	54,000	54,900	180	-	Complied
Grade 7	54,000	63,150	180	-	Complied
Grade 8	54,000	63,150	180	-	Complied
Chula Vista Learning Charter School					
Transitional Kindergarten	36,000	61,500	180	-	Complied
Kindergarten	36,000	61,500	180	-	Complied
Grade 1	50,400	58,800	180	-	Complied
Grade 2	50,400	58,800	180	-	Complied
Grade 3	50,400	58,800	180	-	Complied
Grade 4	54,000	58,800	180	-	Complied
Grade 5	54,000	58,800	180	-	Complied
Grade 6	54,000	58,800	180	-	Complied
Grade 7	54,000	58,800	180	-	Complied
Grade 8	54,000	58,800	180	-	Complied
Grade 9	64,800	66,350	180	-	Complied
Grade 10	64,800	66,350	180	-	Complied
Grade 11	64,800	66,350	180	-	Complied
Grade 12	64,800	66,350	180	-	Complied
Discovery Charter School					
Kindergarten	36,000	57,050	180	-	Complied
Grade 1	50,400	55,150	180	-	Complied
Grade 2	50,400	55,100	180	-	Complied
Grade 3	50,400	55,100	180	-	Complied
Grade 4	54,000	55,100	180	-	Complied
Grade 5	54,000	55,100	180	-	Complied
Grade 6	54,000	55,100	180	-	Complied
Grade 7	54,000	59,750	180	-	Complied
Grade 8	54,000	59,750	180	-	Complied

Grade Level	Ed. Code 46207 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Feaster Charter School					
Transitional Kindergarten	36,000	36,000	180	-	Complied
Kindergarten	36,000	70,950	180	-	Complied
Grade 1	50,400	67,350	180	-	Complied
Grade 2	50,400	67,350	180	-	Complied
Grade 3	50,400	67,350	180	-	Complied
Grade 4	54,000	67,350	180	-	Complied
Grade 5	54,000	67,350	180	-	Complied
Grade 6	54,000	67,350	180	-	Complied
Grade 7	54,000	71,100	180	-	Complied
Grade 8	54,000	71,100	180	-	Complied
Mueller Charter School					
Transitional Kindergarten	36,000	36,000	180	-	Complied
Kindergarten	36,000	55,380	180	-	Complied
Grade 1	50,400	55,880	180	-	Complied
Grade 2	50,400	55,880	180	-	Complied
Grade 3	50,400	55,880	180	-	Complied
Grade 4	54,000	55,880	180	-	Complied
Grade 5	54,000	55,880	180	-	Complied
Grade 6	54,000	55,880	180	-	Complied
Grade 7	54,000	62,000	180	-	Complied
Grade 8	54,000	62,000	180	-	Complied
Grade 9	64,800	68,400	180	-	Complied
Grade 10	64,800	67,680	180	-	Complied

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

The District 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 instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46207. The District neither met nor exceeded its target funding.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2016

TABLE D-3

General Fund	Budget 2017 (Note 1)	2016	2015	2014
Revenues and other financial sources	\$ 257,437,346	\$ 258,713,897	\$ 222,112,160	\$ 205,991,981
Expenditures, other uses and transfers out	256,936,532	241,739,969	230,955,848	198,539,297
Change in fund balance (deficit)	500,814	16,973,928	(8,843,688)	7,452,684
Ending fund balance	\$ 63,385,012	\$ 62,884,198	\$ 45,910,270	\$ 54,753,958
Available reserves (Note 2)	\$ 61,941,715	\$ 58,660,011	\$ 42,998,000	\$ 47,914,116
Available reserves as a percentage of total outgo (Note 3)	24.1%	24.3%	19.0%	24.7%
Total long-term debt (Note 5)	\$ 496,524,598	\$ 514,313,728	\$ 439,055,669	\$ 250,814,286
Average daily attendance at P-2 (Note 4)	28,861	28,705	28,592	28,325

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

The fund balance of the general fund has increased by \$15,582,924 over the past three years. The fiscal year 2016-17 budget projects an increase of \$500,814. For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by \$261,171,631 over the past three years.

Average daily attendance (ADA) has increased by 1,164 over the past three years, including charter schools.

Notes:

- 1 Budget 2017 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all assigned fund balances, all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$7,913,724, \$5,177,774, and \$4,990,112, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2016, 2015 and 2014.
- 4 Average Daily Attendance includes the ADA from district schools and charter schools.
- 5 As a result of implementation of GASB Statement No. 68, long term liabilities for the year ended June 30, 2016 include net pension liabilities which were not previously accounted for. As such, total long term debt for the year ended June 30, 2016 is not comparable to previous years represented in this table.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2016

TABLE D-4

	Schedule of Long-Term Debt
June 30, 2016, annual financial and budget report total liabilities	<u>\$ 461,864,162</u>
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Net pension liability understatement	<u>52,449,566</u>
Net adjustments and reclassifications	<u>52,449,566</u>
June 30, 2016, audited financial statement total liabilities	<u>\$ 514,313,728</u>

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2016

TABLE D-5

The Chula Vista Elementary School District charters the following seven charter schools:

<u>Charter Schools</u>	<u>Included In Audit?</u>
Arroyo Vista Charter School	Yes
Chula Vista Learning Community Charter School	Yes
Discovery Charter School	Yes
Feaster Charter School	Yes
Leonardo Da Vinci Health Sciences Charter School	No
Mueller Charter School	Yes
Howard Gardner Community Charter School	No

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

TABLE D-6
Page 1 of 2

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CCDF CLUSTER:				
<u>U. S. Department of Health and Human Services</u>				
Direct Program:				
Child Development	93.596	-	\$	\$ 90,016
Total U. S. Department of Health and Human Services			-	90,016
Total CCDF Cluster			-	90,016
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13526		1,910,355
National School Lunch Program Section 4	10.555	13391		1,171,036
National School Lunch Program Section 11	10.555	13396		5,420,973
National School Lunch Program Meal Supplement	10.555	23165		278,723
Commodity Supplemental Food Program	10.555	-		1,616,469
Total Passed Through State Department of Education			-	10,397,556
Total U. S. Department of Agriculture			-	10,397,556
Total Child Nutrition Cluster			-	10,397,556
FISH AND WILDLIFE CLUSTER:				
<u>U. S. Department of the Interior</u>				
Direct Program:				
Wild Life Restoration	15.611	-		7,858
Total U. S. Department of the Interior			-	7,858
Total Fish and Wildlife Cluster			-	7,858
MEDICAID CLUSTER:				
<u>U. S. Department of Health and Human Services</u>				
Direct Programs:				
Medi-Cal Billing Option	93.778	-		591,849
Medi-Cal MAA	93.778	-		92,432
Total Direct Programs			-	684,281
Total U. S. Department of Health and Human Services			-	684,281
Total Medicaid Cluster			-	684,281
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Special Education: IDEA Basic	84.027	13379		4,630,965
Special Education: IDEA Preschool Local	84.027	13682		443,884
Special Education: IDEA Mental Health	84.027	14468		350,901
Special Education: IDEA Local Private Schools	84.027	10115		8,125
Special Education: IDEA Preschool	84.173	13430		228,809
Special Education: IDEA Preschool Staff Development	84.173	13431		2,866
Total Passed Through State Department of Education			-	5,665,550
Total U. S. Department of Education			-	5,665,550
Total Special Education (IDEA) Cluster			-	5,665,550

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

TABLE D-6
Page 2 of 2

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Direct Program:				
Impact Aid - P.L. 81.874	84.041	-	-	688,302
Passed Through State Department of Education:				
Title I Part A	84.010	14329	14,393	7,129,655
Title III Limited English Proficiency	84.365	14346	3,785	1,055,213
Title III Immigrant Education	84.365	15146		9,691
Title II Math and Science	84.366	14512		137,332
Title II - Teacher Quality	84.367	14341	11,509	805,889
Total Passed Through State Department of Education			<u>29,687</u>	<u>9,137,780</u>
Total U. S. Department of Education			<u>29,687</u>	<u>9,826,082</u>
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
Child and Adult Care Food Program	10.558	13876		250,446
Total U. S. Department of Agriculture			-	250,446
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 29,687</u>	<u>\$ 26,921,789</u>

The accompanying notes are an integral part of this schedule.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Chula Vista Elementary School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 2CFR 200.502 Basis for Determining Federal Awards Expended and 2CFR 200.510(b) Schedule of Expenditures of Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 4.97% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs.

Schoolwide Program

The District operates a "schoolwide program" at various sites. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limiting services to certain targeted students. The following federal program amounts were expended by the District in it's schoolwide program:

<u>Program</u>	<u>CFDA #</u>	<u>Amount Expended</u>
Title I-Part A	84.010	\$4,905,485

Other Independent Auditor's Reports

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards*

Board of Trustees
Chula Vista Elementary School District
Chula Vista, California

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chula Vista Elementary School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Chula Vista Elementary School District's basic financial statements, and have issued our report thereon dated December 14, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chula Vista Elementary School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002.

Chula Vista Elementary School District's Response to Findings

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

Purpose of this Report

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

El Cajon, California
December 14, 2016

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Chula Vista Elementary School District
Chula Vista, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with 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 Chula Vista Elementary School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Chula Vista Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Chula Vista Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Chula Vista Elementary School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Chula Vista Elementary School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Chula Vista Elementary School District's internal control over compliance.

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

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

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

El Cajon, California
December 14, 2016

Independent Auditor's Report on State Compliance

Board of Trustees
Chula Vista Elementary School District
Chula Vista, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's 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*, prescribed in Title 5, *California Code of Regulations*, Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2016.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810. 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 State's audit guide, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Compliance Requirements	Procedures in Audit Guide Performed?
-------------------------	--

**LOCAL EDUCATION AGENCIES
OTHER THAN CHARTER SCHOOLS:**

Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	N/A
Continuation Education	N/A
Instructional Time	Yes

Instructional Materials.....	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes

SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:

Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	Yes
Before School	Yes
General Requirements	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
Immunizations	Yes

CHARTER SCHOOLS:

Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	No
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform testing for Nonclassroom-Based Instruction. The procedure was not required to be performed because the ADA was below that which requires testing.

Opinion on State Compliance

In our opinion, Chula Vista Elementary School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-2

Chula Vista Elementary School District's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

El Cajon, California
December 14, 2016

Findings and Recommendations Section

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs: \$807,654

Auditee qualified as low-risk auditee? X Yes No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies? X Yes No

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

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding 2016-001 (10000)
Attendance

Criteria or Specific Requirement

Determine that class attendance rosters are being signed, dated, and retained in a timely manner as proper verification of pupil attendance based on the guidelines and provisions under Education Code Sections 46000 and 46303.

Condition

In review of the class rosters at Otay Elementary School, Mueller Charter School, and Feaster Charter School for the seventh month of attendance, we noted that the class rosters were not being printed and verified on a timely basis. The attendance clerks were dating the rosters immediately after printing at Mueller Charter School and Feaster Charter School and some were being backdated after the print date. Teachers were signing the rosters; however, the attendance clerks were in control of actually dating the rosters at the charter schools. Printing, signing and date verification of class rosters were in excess of two weeks after the weekly attendance period at Otay Elementary School.

Questioned Costs

None. The District has established procedures that the teachers enter attendance on a daily basis and although the verification of class rosters was not completed within state guidelines, the attendance was entered timely by individuals with first hand knowledge. Based upon our review, we determined there are no questioned costs or loss of attendance to be identified or justified as all class rosters had a valid teacher signature and were subsequently approved prior to the end of the fiscal year.

Context

California Education Code Sections 46000 and 46303 require that weekly attendance be signed, dated, and verified by the teachers within one week after the end of each attendance period.

Effect

The school sites were not consistent with the state requirement that attendance must be approved and verified by the teachers within one week after the end of each attendance period.

Cause

School site personnel did not understand the purpose and requirement that teachers verify attendance weekly.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Recommendation

Implement procedures to ensure class rosters are printed timely and are being signed, dated, and verified by the teachers within one week after the end of each attendance period. Retain all original rosters printed and verified by the teachers even if changes or corrections have been made as proper support that weekly attendance is being validated on a timely basis.

LEA's Response

All school sites have been notified of the proper procedure on printing the End of Day Teacher Status report and receiving teacher signatures timely in accordance with state requirements. The District attendance department is working with all school sites including Otay Elementary, Feaster Charter School and Mueller Charter School to ensure that the End of Day Teacher Status report is printed at the end of each attendance week and is given to each teacher to verify, sign and date the information within one week. Once the End of Day Teacher Status reports are all signed and dated, they will be filed in the school attendance office by attendance week.

Finding 2016-002 (72000)
School Accountability Report Card

Criteria or Specific Requirement

Determine that information provided in the School Accountability Report Card (SARC) for the facilities status agrees with the most recent facilities walkthrough as disclosed in the Facilities Inspection Tool (FIT) as required by Education Code 33126 and 33126.1.

Condition

In review of the SARC for Otay Elementary School that was published for the 2015-16 fiscal year, we noted that the facilities information was from the facilities walkthrough conducted in August 2012 and not from the most recent walkthrough which was completed in August 2014; consequently, the SARC did not disclose the most current information in regards to the school facilities status.

Questioned Costs

None.

Context

California Education Code Sections 33126 and 33126.1 require that facilities information disclosed in the SARC agree to the facilities information in the most recent FIT.

Effect

The school site was not in compliance with the requirement to report facilities information in the SARC that agrees to the most current facilities walkthrough completed before the SARC publication date.

Cause

District personnel did not realize that the current facilities walkthrough information as disclosed in the most recent FIT, which is completed before the SARC publication date, should be utilized as the facilities information of the school site.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Recommendation

Implement a review process to ensure the facilities data and status disclosed in the SARC for all elementary schools is from the most recent FIT facilities walkthrough completed prior to the SARC publication date. Monitor the FIT forms and walkthrough information in order that the most current facilities data be recorded in the SARC.

LEA's Response

A review process has been implemented to ensure the data and status indicated in the SARCs for all schools reflects the most recent FIT facilities walkthrough, completed prior to the SARC publication/posting date. The Communications Department staff will engage the Facilities Department staff in ongoing dialogue during SARC preparation to ensure FIT forms and walkthrough information are the most current for each SARC.

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p data-bbox="185 415 380 470">Finding 2015-001 Attendance</p> <p data-bbox="185 506 764 680">Class rosters at Camarena Elementary School were not being printed and verified on a timely basis. Printing, signing, and date verification of class rosters were in excess of two weeks and up to three months after the weekly attendance period.</p> <p data-bbox="185 716 764 835">Implement procedures to ensure class rosters are printed timely and are being signed, dated, and verified by the teachers within one week after the end of each attendance period.</p>	<p data-bbox="821 779 1024 835">Partially Implemented</p>	<p data-bbox="1073 779 1382 835">See Current Year Finding</p>

CHULA VISTA ELEMENTARY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016

<u>Fiscal Year</u>	<u>Finding Number</u>	<u>Finding and Corrective Action Plan</u>	
2016	001	Finding:	Class rosters were not being printed and verified on a timely basis at three school sites. Some rosters were being backdated and verification was more than one week after the weekly attendance period.
		Questioned Costs:	None. Class rosters were still being verified by the teachers.
		Status:	Complete
		Corrective Action:	All teachers at all school sites have received inservice instruction that class rosters will be dated and verified within one week after the end of the attendance period with no exceptions.
		Completion Date:	September 16, 2016
2016	002	Finding:	The School Accountability Report Card (SARC) at Otay Elementary School did not disclose the proper current facilities information from the most recent walkthrough.
		Questioned Costs:	None
		Status:	Complete
		Corrective Action:	A procedure has been established to review all School Accountability Report Cards facilities data to the most recent walkthrough to ensure that information is current prior to publication.
		Completion Date:	September 16, 2016