

# MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

## AUDIT REPORT

JUNE 30, 2016

San Diego

Los Angeles

San Francisco  
Bay Area

christywhite  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**TABLE OF CONTENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL SECTION**

Independent Auditors' Report .....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position .....	11
Statement of Activities .....	12
Fund Financial Statements	
Governmental Funds – Balance Sheet .....	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	14
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances.....	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	16
Fiduciary Funds – Statement of Net Position.....	17
Fiduciary Funds – Statement of Changes in Net Position .....	18
Notes to Financial Statements .....	19

**REQUIRED SUPPLEMENTARY INFORMATION**

General Fund – Budgetary Comparison Schedule .....	54
Charter Schools Special Revenue Fund – Budgetary Comparison Schedule.....	55
Schedule of Funding Progress .....	56
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS .....	57
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS.....	58
Schedule of District Contributions - CalSTRS .....	59
Schedule of District Contributions - CalPERS.....	60
Notes to Required Supplementary Information.....	61

**SUPPLEMENTARY INFORMATION**

Schedule of Expenditures of Federal Awards .....	63
Schedule of Average Daily Attendance (ADA).....	64
Schedule of Instructional Time .....	65
Schedule of Financial Trends and Analysis .....	66
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	67
Schedule of Charter Schools .....	68
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet .....	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	70
Local Education Agency Organization Structure .....	71
Notes to Supplementary Information.....	72

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2016

---

OTHER INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	74
Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance.....	76
Report on State Compliance.....	78

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results .....	81
Financial Statement Findings.....	82
Federal Award Findings and Questioned Costs .....	84
State Award Findings and Questioned Costs.....	85
Summary Schedule of Prior Audit Findings .....	86

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## FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Marysville Joint Unified School District  
Marysville, 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 Marysville Joint Unified School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Marysville Joint Unified School District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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State Board of Accountancy*

## ***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 Marysville Joint Unified School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marysville Joint Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016 on our consideration of Marysville Joint Unified 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 Marysville Joint Unified School District's internal control over financial reporting and compliance.

*Christy White Associates*

San Diego, California  
December 14, 2016

# MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

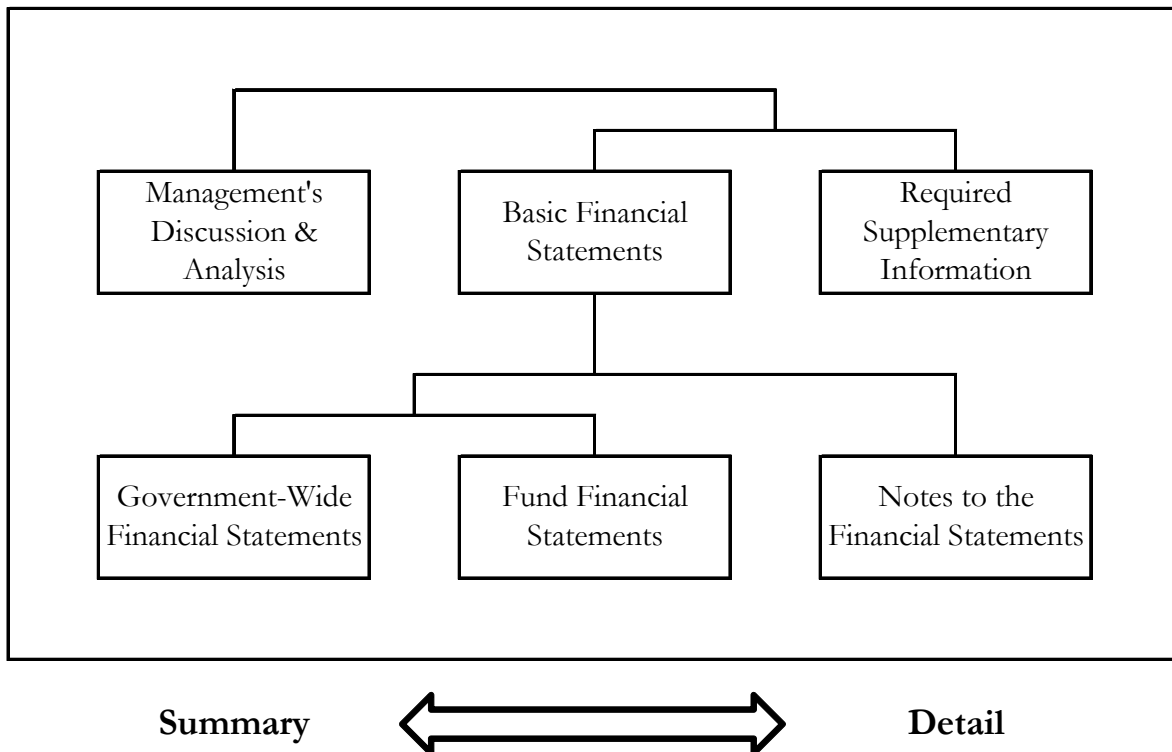
Our discussion and analysis of Marysville Joint Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The District's total net position was \$21,407,184 at June 30, 2016. This was an increase of \$10,524,597 from the prior year.
- Overall revenues were \$125,436,283 which exceeded expenses of \$114,911,686.

## OVERVIEW OF FINANCIAL STATEMENTS

### Components of the Financials Section





MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2016

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This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
  - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

### Government-Wide Statements

The government-wide 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 of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The District's combined net position was \$21,407,184 at June 30, 2016, as reflected in table below. Of this amount, (\$62,944,164) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 37,964,376	\$ 28,609,470	\$ 9,354,906
Capital assets	160,620,796	162,144,073	(1,523,277)
<b>Total Assets</b>	<b>198,585,172</b>	<b>190,753,543</b>	<b>7,831,629</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>10,228,154</b>	<b>7,751,049</b>	<b>2,477,105</b>
<b>LIABILITIES</b>			
Current liabilities	7,951,557	9,605,150	(1,653,593)
Long-term liabilities	172,405,928	161,549,855	10,856,073
<b>Total Liabilities</b>	<b>180,357,485</b>	<b>171,155,005</b>	<b>9,202,480</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>7,048,657</b>	<b>16,467,000</b>	<b>(9,418,343)</b>
<b>NET POSITION</b>			
Net investment in capital assets	73,452,850	64,795,921	8,656,929
Restricted	10,898,498	11,616,014	(717,516)
Unrestricted	(62,944,164)	(65,529,348)	2,585,184
<b>Total Net Position</b>	<b>\$ 21,407,184</b>	<b>\$ 10,882,587</b>	<b>\$ 10,524,597</b>

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	Governmental Activities		
	2016	2015	Net Change
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 1,562,196	\$ 1,494,426	\$ 67,770
Operating grants and contributions	23,819,703	22,195,346	1,624,357
Capital grants and contributions	42,611	1,012	41,599
General revenues			
Property taxes	19,712,692	18,671,782	1,040,910
Unrestricted federal and state aid	77,250,041	60,353,512	16,896,529
Other	3,049,040	1,234,729	1,814,311
<b>Total Revenues</b>	<b>125,436,283</b>	<b>103,950,807</b>	<b>21,485,476</b>
<b>EXPENSES</b>			
Instruction	62,447,665	57,997,032	4,450,633
Instruction-related services	10,489,297	9,761,650	727,647
Pupil services	17,543,044	15,399,407	2,143,637
General administration	6,537,218	7,182,139	(644,921)
Plant services	10,522,154	9,374,904	1,147,250
Ancillary and community services	504,956	477,256	27,700
Debt service	3,156,659	6,255,410	(3,098,751)
Other Outgo	3,645,057	2,598,099	1,046,958
Other	65,636	87,930	(22,294)
<b>Total Expenses</b>	<b>114,911,686</b>	<b>109,133,827</b>	<b>5,777,859</b>
<b>Change in net position</b>	<b>10,524,597</b>	<b>(5,183,020)</b>	<b>15,707,617</b>
<b>Net Position - Beginning*</b>	<b>10,882,587</b>	<b>16,065,607</b>	<b>(5,183,020)</b>
<b>Net Position - Ending</b>	<b>\$ 21,407,184</b>	<b>\$ 10,882,587</b>	<b>\$ 10,524,597</b>

\* Beginning Net Position was restated for the 2015 year only

The cost of all our governmental activities this year was \$114,911,686 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was \$19,712,692 because the remaining cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position (continued)**

In the table below we have presented the net cost of each of the District's functions. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	<b>Net Cost of Services</b>	
	<b>2016</b>	<b>2015</b>
Instruction	\$ 50,621,667	\$ 47,783,462
Instruction-related services	7,987,285	7,544,536
Pupil services	9,268,183	6,881,691
General administration	5,553,092	6,202,371
Plant services	10,442,052	9,314,577
Ancillary and community services	501,749	472,890
Debt service	3,156,659	2,598,099
Transfers to other agencies	1,896,287	4,557,487
Other	60,202	87,930
<b>Total Expenses</b>	<b>\$ 89,487,176</b>	<b>\$ 85,443,043</b>

**FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$33,147,614 which is more than last year's ending fund balance of \$23,985,380. The District's General Fund had \$9,893,507 more in operating revenues than expenditures for the year ended June 30, 2016. In addition, the Charter Schools Fund had \$345,092 more in operating revenues than expenditures for the year ended June 30, 2016.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**CURRENT YEAR BUDGET 2015-16**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2015-16, the District had invested \$160,620,796 in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 7,581,576	\$ 7,581,576	\$ -
Construction in progress	57,102,538	61,686,545	(4,584,007)
Land improvements	39,298,147	37,805,953	1,492,194
Buildings & improvements	113,913,687	106,683,868	7,229,819
Furniture & equipment	10,044,269	9,449,804	594,465
Accumulated depreciation	(67,319,421)	(61,063,673)	(6,255,748)
<b>Total Capital Assets</b>	<b>\$160,620,796</b>	<b>\$162,144,073</b>	<b>\$ (1,523,277)</b>

**Long-Term Debt**

At year-end, the District had \$172,405,928 in long-term debt, an increase of 7% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 70,171,262	\$ 71,534,302	\$ (1,363,040)
Total certificates of participation	25,789,658	24,960,936	828,722
Capital leases	697,206	852,914	(155,708)
Compensated absences	367,988	376,710	(8,722)
Net OPEB obligation	4,642,753	5,372,218	(729,465)
Net pension liability	72,292,839	60,627,000	11,665,839
Less: current portion of long-term debt	(1,555,778)	(2,174,225)	618,447
<b>Total Long-term Liabilities</b>	<b>\$172,405,928</b>	<b>\$161,549,855</b>	<b>\$ 10,856,073</b>

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

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

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21 but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The State's economy is expected to grow faster than the national economy with unemployment dropping. Personal income is expected to grow 3.6%; according to the UCLA Anderson Economic Forecast, April 2016. The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and while positive remains uncertain.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2016. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2016-17 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Business Office at 1919 B Street, Marysville, CA 95901 or (530) 749-6115.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 33,167,784
Accounts receivable	4,429,689
Inventory	343,076
Prepaid expenses	23,827
Capital assets, not depreciated	64,684,114
Capital assets, net of accumulated depreciation	95,936,682
<b>Total Assets</b>	<b>198,585,172</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	7,569,331
Deferred amount on refunding	2,658,823
<b>Total Deferred Outflows of Resources</b>	<b>10,228,154</b>
<b>LIABILITIES</b>	
Accrued liabilities	6,058,080
Unearned revenue	337,699
Long-term liabilities, current portion	1,555,778
Long-term liabilities, non-current portion	172,405,928
<b>Total Liabilities</b>	<b>180,357,485</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	7,048,657
<b>Total Deferred Inflows of Resources</b>	<b>7,048,657</b>
<b>NET POSITION</b>	
Net investment in capital assets	73,452,850
Restricted:	
Capital projects	1,239,255
Debt service	3,827,630
Educational programs	5,471,003
All others	360,610
Unrestricted	(62,944,164)
<b>Total Net Position</b>	<b>\$ 21,407,184</b>

The accompanying notes are an integral part of these financial statements.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>					
Instruction	\$ 62,447,665	\$ 295,229	\$ 11,488,158	\$ 42,611	\$ (50,621,667)
Instruction-related services					
Instructional supervision and administration	2,818,147	5,399	2,090,518	-	(722,230)
Instructional library, media, and technology	848,372	594	38,096	-	(809,682)
School site administration	6,822,778	3,280	364,125	-	(6,455,373)
Pupil services					
Home-to-school transportation	4,958,370	3,281	2,566	-	(4,952,523)
Food services	6,643,009	382,911	6,157,552	-	(102,546)
All other pupil services	5,941,665	63,920	1,664,631	-	(4,213,114)
General administration					
Centralized data processing	2,064,685	-	-	-	(2,064,685)
All other general administration	4,472,533	20,820	963,306	-	(3,488,407)
Plant services	10,522,154	1,780	78,322	-	(10,442,052)
Ancillary services	504,956	150	3,057	-	(501,749)
Enterprise activities	65,636	351	5,083	-	(60,202)
Interest on long-term debt	3,156,659	-	-	-	(3,156,659)
Other Outgo	3,645,057	784,481	964,289	-	(1,896,287)
<b>Total Governmental Activities</b>	<b>\$ 114,911,686</b>	<b>\$ 1,562,196</b>	<b>\$ 23,819,703</b>	<b>\$ 42,611</b>	<b>(89,487,176)</b>
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					15,323,430
Property taxes, levied for debt service					4,389,262
Federal and state aid not restricted for specific purposes					77,250,041
Interest and investment earnings					138,635
Interagency revenues					97,386
Miscellaneous					2,813,019
<b>Subtotal, General Revenue</b>					<b>100,011,773</b>
<b>CHANGE IN NET POSITION</b>					<b>10,524,597</b>
<b>Net Position - Beginning</b>					<b>10,882,587</b>
<b>Net Position - Ending</b>					<b>\$ 21,407,184</b>

The accompanying notes are an integral part of these financial statements.



**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2016**

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	<b>General Fund</b>		<b>Charter Schools Fund</b>		<b>Non-Major Governmental Funds</b>		<b>Total Governmental Funds</b>	
<b>ASSETS</b>								
Cash and investments	\$	23,546,793	\$	1,417,309	\$	8,203,682	\$	33,167,784
Accounts receivable		3,395,955		15,739		1,017,995		4,429,689
Due from other funds		845,799		-		31,056		876,855
Stores inventory		211,564		-		131,512		343,076
Prepaid expenditures		15,420		-		8,407		23,827
<b>Total Assets</b>	<b>\$</b>	<b>28,015,531</b>	<b>\$</b>	<b>1,433,048</b>	<b>\$</b>	<b>9,392,652</b>	<b>\$</b>	<b>38,841,231</b>
<b>LIABILITIES</b>								
Accrued liabilities	\$	4,095,788	\$	220,506	\$	162,769	\$	4,479,063
Due to other funds		29,720		378,435		468,700		876,855
Unearned revenue		317,847		2,593		17,259		337,699
<b>Total Liabilities</b>		<b>4,443,355</b>		<b>601,534</b>		<b>648,728</b>		<b>5,693,617</b>
<b>FUND BALANCES</b>								
Nonspendable		256,984		-		141,829		398,813
Restricted		3,713,125		257,043		8,602,095		12,572,263
Assigned		4,589,357		574,471		-		5,163,828
Unassigned		15,012,710		-		-		15,012,710
<b>Total Fund Balances</b>		<b>23,572,176</b>		<b>831,514</b>		<b>8,743,924</b>		<b>33,147,614</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$</b>	<b>28,015,531</b>	<b>\$</b>	<b>1,433,048</b>	<b>\$</b>	<b>9,392,652</b>	<b>\$</b>	<b>38,841,231</b>

The accompanying notes are an integral part of these financial statements.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT**  
**OF NET POSITION**  
**JUNE 30, 2016**

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**Total Fund Balance - Governmental Funds** \$ 33,147,614

Amounts reported for assets and liabilities 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	\$ 227,940,217	
Accumulated depreciation	(67,319,421)	160,620,796

**Deferred amount on refunding:**

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

2,658,823

**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:

(1,579,017)

**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:

Total general obligation bonds	\$ 70,171,262	
Total certificates of participation	25,789,658	
Capital leases	697,206	
Compensated absences	367,988	
Net OPEB obligation	4,642,753	
Net pension liability	72,292,839	(173,961,706)

**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 related to pensions	\$ 7,569,331	
Deferred inflows of resources related to pensions	(7,048,657)	520,674

**Total Net Position - Governmental Activities** \$ 21,407,184

The accompanying notes are an integral part of these financial statements.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Charter Schools Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
LCFF sources	\$ 83,079,182	\$ 3,011,622	\$ -	\$ 86,090,804
Federal sources	6,989,484	451	6,096,393	13,086,328
Other state sources	12,485,174	558,466	2,536,888	15,580,528
Other local sources	5,400,550	51,757	5,583,405	11,035,712
<b>Total Revenues</b>	<b>107,954,390</b>	<b>3,622,296</b>	<b>14,216,686</b>	<b>125,793,372</b>
<b>EXPENDITURES</b>				
Current				
Instruction	54,290,208	2,041,598	1,668,860	58,000,666
Instruction-related services				
Instructional supervision and administration	2,545,907	-	284,579	2,830,486
Instructional library, media, and technology	850,606	-	-	850,606
School site administration	6,566,260	277,940	27,338	6,871,538
Pupil services				
Home-to-school transportation	4,834,041	-	-	4,834,041
Food services	114,465	-	6,621,905	6,736,370
All other pupil services	5,782,850	189,879	4,071	5,976,800
General administration				
Centralized data processing	2,034,525	-	-	2,034,525
All other general administration	3,561,258	373,613	512,863	4,447,734
Plant services	10,336,727	77,483	191,556	10,605,766
Facilities acquisition and maintenance	2,743,341	316,691	1,090,971	4,151,003
Ancillary services	506,407	-	-	506,407
Enterprise activities	60,130	-	5,506	65,636
Transfers to other agencies	3,640,467	-	-	3,640,467
Debt service				
Principal	155,708	-	1,910,000	2,065,708
Interest and other	37,983	-	2,975,402	3,013,385
<b>Total Expenditures</b>	<b>98,060,883</b>	<b>3,277,204</b>	<b>15,293,051</b>	<b>116,631,138</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>9,893,507</b>	<b>345,092</b>	<b>(1,076,365)</b>	<b>9,162,234</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	888,948	888,948
Transfers out	(846,055)	-	(42,893)	(888,948)
<b>Net Financing Sources (Uses)</b>	<b>(846,055)</b>	<b>-</b>	<b>846,055</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>9,047,452</b>	<b>345,092</b>	<b>(230,310)</b>	<b>9,162,234</b>
<b>Fund Balance - Beginning</b>	<b>14,524,724</b>	<b>486,422</b>	<b>8,974,234</b>	<b>23,985,380</b>
<b>Fund Balance - Ending</b>	<b>\$ 23,572,176</b>	<b>\$ 831,514</b>	<b>\$ 8,743,924</b>	<b>\$ 33,147,614</b>

The accompanying notes are an integral part of these financial statements.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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Net Change in Fund Balances - Governmental Funds \$ 9,162,234

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

Capital outlay:

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

Expenditures for capital outlay:	\$ 4,732,471	
Depreciation expense:	(6,255,748)	(1,523,277)

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:

2,065,708

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 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:

1,227,818

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(1,676,883)

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 amount earned. The difference between compensated absences paid and compensated absences earned, was:

8,722

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

729,465

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:

229,609

Amortization of debt issuance premium or discount:

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 is amortized over the life of the debt. Amortization of premium or discount for the period is:

301,201

Change in Net Position of Governmental Activities

\$ 10,524,597

The accompanying notes are an integral part of these financial statements.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2016

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	Trust Funds	Agency Funds
	Private-Purpose	Student Body
	Trust Fund	Fund
<b>ASSETS</b>		
Cash and investments	\$ 263,065	\$ 390,689
Stores inventory	-	20,772
<b>Total Assets</b>	<b>263,065</b>	<b>\$ 411,461</b>
<b>LIABILITIES</b>		
Due to student groups	-	\$ 411,461
<b>Total Liabilities</b>	<b>-</b>	<b>\$ 411,461</b>
<b>NET POSITION</b>		
Restricted	263,065	
<b>Total Net Position</b>	<b>\$ 263,065</b>	

The accompanying notes are an integral part of these financial statements.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>Trust Funds</u>
	<u>Private-Purpose</u>
	<u>Trust Fund</u>
<b>ADDITIONS</b>	
Investment earnings	\$ 1,937
Other	500
<b>Total Additions</b>	<u>2,437</u>
<b>DEDUCTIONS</b>	
Other trust activities	4,981
<b>Total Deductions</b>	<u>4,981</u>
<b>CHANGE IN NET POSITION</b>	(2,544)
<b>Net Position - Beginning</b>	<u>265,609</u>
<b>Net Position - Ending</b>	<u>\$ 263,065</u>

The accompanying notes are an integral part of these financial statements.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has determined the following represent component units:

The District and the Marysville Joint Unified School District Financing Corporation (the "Corporation") have a financial and operational relationship which meet the reporting entity definition criteria of *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the Corporation as a blended component unit of the District.

The following are those aspects of the relationship between the District and the Corporation which satisfy *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, as amended by GASB Statement No. 39 criteria:

**Accountability**

1. The Corporation's Board of Directors was appointed by the District's Board of Trustees.
2. The Corporation has no employees. The District's Assistant Superintendent of Business Services functions as the agent of the Corporation and does not receive additional compensation for work performed in this capacity.
3. The District's Board exercises significant influence over operations of the Corporation as the District is the sole lessee of all facilities owned by the Corporation.
4. All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**B. Component Units (continued)**

**Accountability (continued)**

5. Any deficits incurred by the Corporation will be reflected in the lease payments of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.
6. The District's lease payments are the sole revenue source of the Corporation.
7. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

**Scope of Public Service**

The Corporation was formed for the sole purpose of financially assisting the District. The Corporation was formed to provide financing assistance to the District for construction, rehabilitation and acquisition of major capital facilities to support the student population.

**Financial Presentation**

For financial presentation purposes, the Corporation's financial activity has been blended with the financial data of the District. The basic financial statements present the Corporation's financial activity within the Building Fund.

**C. Basis of Presentation**

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (the District). These statements 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 revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue 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. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

**Fund Financial Statements.** The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. 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 non-major funds.



MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2016

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

**Fund Financial Statements (*continued*).** Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

**General Fund:** The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

**Charter Schools Special Revenue Fund:** This fund may be used by authorizing District's to account separately for the activities of District-operated charter schools that would otherwise be reported in the authorizing District's General Fund.

Non-Major Governmental Funds

**Special Revenue Funds:** Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

**Adult Education Fund:** This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b] and 52501.5[a]*).

**Child Development Fund:** This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2016

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

**Special Revenue Funds (*continued*)**

**Cafeteria Special Revenue Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

**Deferred Maintenance Fund:** This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

**Capital Project Funds:** Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Building Fund:** This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

**Capital Facilities Fund:** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

**County School Facilities Fund:** This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

**Debt Service Funds**

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

**Debt Service Fund for Blended Component Units:** This fund is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

**Debt Service Fund:** This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

**Fiduciary Funds**

**Trust and Agency Funds:** Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

**Foundation Private-Purpose Trust Fund:** This fund is used to account separately for gifts or bequests per *Education Code Section 41031* that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the District's own programs.

**Student Body Fund:** The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

**Government-Wide and Fiduciary Financial Statements**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary 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.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

**Governmental Funds**

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

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to 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 school districts as collectible within one year.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

**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 balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

**Expenses/Expenditures**

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

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

**Cash and Cash Equivalents**

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**Investments**

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

**Inventories**

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$15,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over 5-50 years depending on asset types.

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

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 because 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

**Premiums and Discounts**

In the government-wide financial statements, long-term obligations are reported as liabilities in statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

**Deferred Outflows/Deferred Inflows of Resources**

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

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

**Pensions**

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

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

**Fund Balance (continued)**

*Restricted* - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.



MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2016

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. Estimates

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

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

**GASB Statement No. 72** – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 72 for the year ended June 30, 2016.

**GASB Statement No. 73** – In June 2015, 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*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. A portion of this Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 73 for the year ended June 30, 2016.

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 80** – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Total Governmental Activities	Fiduciary Funds
Investment in county treasury	\$ 33,133,644	\$ 263,065
Cash on hand and in banks	-	390,689
Cash with fiscal agent	2,230	-
Cash in revolving fund	31,910	-
<b>Total cash and investments</b>	<b>\$ 33,167,784</b>	<b>\$ 653,754</b>

B. Policies and Practices

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

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Yuba County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**Cash with Fiscal Agent** – The Cash with Fiscal Agent represents debt proceeds that have been set aside in the Debt Service Fund for the repayment of the Qualified Zone Academy Bond and other long-term liabilities. These amounts are held by a third party custodian in the District’s name.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**C. General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$33,490,895 and an amortized book value of \$33,396,709. The average weighted maturity for this pool is 276 days.

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2016, the pooled investments in the County Treasury were not rated.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Yuba County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2016 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 33,490,895
<b>Total fair market value of investments</b>	<u>\$ 33,490,895</u>

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

**NOTE 3 – ACCOUNTS RECEIVABLE**

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

	<b>General Fund</b>	<b>Charter Schools Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Activities</b>
Federal Government				
Categorical aid	\$ 1,954,504	\$ -	\$ 756,872	\$ 2,711,376
State Government				
Apportionment	98,278	-	-	98,278
Categorical aid	299,937	-	257,405	557,342
Lottery	393,143	15,739	-	408,882
Local Government				
Other local sources	650,093	-	3,718	653,811
<b>Total</b>	<b>\$ 3,395,955</b>	<b>\$ 15,739</b>	<b>\$ 1,017,995</b>	<b>\$ 4,429,689</b>

**NOTE 4 – CAPITAL ASSETS**

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

	<b>Balance July 01, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2016</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 7,581,576	\$ -	\$ -	\$ 7,581,576
Construction in progress	61,686,545	-	4,584,007	57,102,538
Total Capital Assets not Being Depreciated	69,268,121	-	4,584,007	64,684,114
Capital assets being depreciated				
Land improvements	37,805,953	1,492,194	-	39,298,147
Buildings & improvements	106,683,868	7,229,819	-	113,913,687
Furniture & equipment	9,449,804	594,465	-	10,044,269
Total Capital Assets Being Depreciated	153,939,625	9,316,478	-	163,256,103
Less Accumulated Depreciation				
Land improvements	4,675,461	1,761,740	-	6,437,201
Buildings & improvements	49,053,908	3,879,492	-	52,933,400
Furniture & equipment	7,334,304	614,516	-	7,948,820
Total Accumulated Depreciation	61,063,673	6,255,748	-	67,319,421
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 162,144,073</b>	<b>\$ 3,060,730</b>	<b>\$ 4,584,007</b>	<b>\$ 160,620,796</b>

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 5 – INTERFUND TRANSACTIONS**

**A. Interfund Receivables/Payables (Due From/Due To)**

Individual interfund receivable and payable balances at June 30, 2016 were as follows:

	Due To Other Funds	Due From Other Funds		
		General Fund	Non-Major Governmental Funds	Total
General Fund		\$ -	\$ 29,720	\$ 29,720
Charter Schools Fund		378,435	-	378,435
Non-Major Governmental Funds		467,364	1,336	468,700
<b>Total Due From Other Funds</b>		<b>\$ 845,799</b>	<b>\$ 31,056</b>	<b>\$ 876,855</b>

Due from Charter Schools Special Revenue Fund to General Fund for indirect support costs.	\$ 378,435
Due from Cafeteria Special Revenue Fund to General Fund for indirect support costs.	322,465
Due from Child Development Fund to General Fund for indirect support costs.	144,685
Due from General Fund to Child Development Fund for program contributions.	22,808
Due from General Fund to Cafeteria Special Revenue Fund for uncollected meal charges and reimbursement of personnel costs.	6,912
Due from Debt Service Fund to Capital Facilities Fund to close Debt Service Fund.	1,336
Due from Capital Facilities Fund to General Fund for reimbursement of costs.	214
<b>Total</b>	<b>\$ 876,855</b>

**B. Operating Transfers**

Interfund transfers for the year ended June 30, 2016 consisted of the following:

	Interfund Transfers Out	Interfund Transfers In	
		Non-Major Governmental Funds	Total
General Fund		\$ 846,055	\$ 846,055
Non-Major Governmental Funds		42,893	42,893
<b>Total Interfund Transfers</b>		<b>\$ 888,948</b>	<b>\$ 888,948</b>

Transfer from General Fund to Deferred Maintenance Fund per Local Control Accountability Plan (LCAP).	\$ 820,000
Transfer from General Fund to Child Development Fund for program contributions.	22,808
Transfer from General Fund to Cafeteria Special Revenue Fund for reimbursement of costs.	3,247
Transfer from County School Facilities Fund to Building Fund to move Community Redevelopment Funds to Measure P.	41,557
Transfer from Debt Service Fund to Capital Facilities Fund to close Debt Service Fund.	1,336
<b>Total</b>	<b>\$ 888,948</b>

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2016 consisted of the following:

	<b>General Fund</b>	<b>Charter Schools Fund</b>	<b>Non-Major Governmental Funds</b>	<b>District-Wide</b>	<b>Total Governmental Activities</b>
Payroll	\$ 873,747	\$ 9,784	\$ 29,013	\$ -	\$ 912,544
Vendors payable	3,222,041	210,722	133,756	-	3,566,519
Unmatured interest	-	-	-	1,579,017	1,579,017
<b>Total</b>	<b>\$ 4,095,788</b>	<b>\$ 220,506</b>	<b>\$ 162,769</b>	<b>\$ 1,579,017</b>	<b>\$ 6,058,080</b>

**NOTE 7 – UNEARNED REVENUE**

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

	<b>General Fund</b>	<b>Charter Schools Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Activities</b>
Federal sources	\$ 18,361	\$ -	\$ 2,447	\$ 20,808
State categorical sources	299,486	2,593	14,812	316,891
<b>Total</b>	<b>\$ 317,847</b>	<b>\$ 2,593</b>	<b>\$ 17,259</b>	<b>\$ 337,699</b>



**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 8 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2016 consisted of the following:

	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 67,053,777	\$ -	\$ 1,485,000	\$ 65,568,777	\$ 710,000
Unamortized premium	2,650,636	-	301,201	2,349,435	242,745
Accreted interest	1,829,889	423,161	-	2,253,050	-
Total general obligation bonds	71,534,302	423,161	1,786,201	70,171,262	952,745
Certificates of participation	21,731,099	-	425,000	21,306,099	440,000
Accreted interest	3,229,837	1,253,722	-	4,483,559	-
Total certificates of participation	24,960,936	1,253,722	425,000	25,789,658	440,000
Capital leases	852,914	-	155,708	697,206	163,033
Compensated absences	376,710	-	8,722	367,988	-
Net OPEB obligation	5,372,218	-	729,465	4,642,753	-
Net pension liability	60,627,000	11,665,839	-	72,292,839	-
<b>Total</b>	<b>\$ 163,724,080</b>	<b>\$ 13,342,722</b>	<b>\$ 3,105,096</b>	<b>\$ 173,961,706</b>	<b>\$ 1,555,778</b>

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund and Debt Service Fund for Blended Component Units.
- Payments on certificates of participation are made in the Capital Facilities Fund.
- Payments for capital lease obligations are made in the General Fund.
- Payments for compensated absences are typically made from the fund for which the related employee worked.

**A. Compensated Absences**

Total unpaid employee compensated absences as of June 30, 2016 amounted to \$367,988. This amount is included as part of long-term liabilities in the government-wide financial statements.

**B. Certificates of Participation**

On August 9, 2006, the District issued \$22,145,000 in Certificates of Participation for the purpose of providing funds for the District's 2006 capital projects. The District is required to make lease payments of principal and interest in conjunction with these Certificates of Participation. Semi-annual principal and interest payments are due each February and August 1, beginning in 2007 and ending in February 2022. Interest rates range from 3.6% to 4.25%.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**B. Certificates of Participation (continued)**

Scheduled payments for the 2006 COPs are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 440,000	\$ 111,394	\$ 551,394
2018	460,000	93,669	553,669
2019	475,000	74,969	549,969
2020	495,000	55,259	550,259
2021	520,000	34,000	554,000
2022 - 2026	540,000	11,475	551,475
<b>Total</b>	<b>\$ 2,930,000</b>	<b>\$ 380,766</b>	<b>\$ 3,310,766</b>

On July 1, 2012, the District issued \$18,376,099 in Certificates of Participation for the purpose of implementing the District's 2012 capital projects and refunding \$12,275,000 of the District's 2006 Certificates of Participation. The District is required to make lease payments of principal and interest in conjunction with these Certificates of Participation. Semi-annual principal and interest payments are due each June and December 1, beginning in 2023 and ending in June 2042. Interest rates range from 6.29% to 6.31%.

Scheduled payments for the 2012 COPs, excluding accreted interest in the amount of \$4,483,559, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ -	\$ -	\$ -
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022 - 2026	5,975,101	5,304,899	11,280,000
2027 - 2031	5,478,411	8,616,589	14,095,000
2032 - 2036	3,793,121	10,296,879	14,090,000
2037 - 2041	2,688,644	11,411,356	14,100,000
2042	440,822	2,379,178	2,820,000
<b>Total</b>	<b>\$ 18,376,099</b>	<b>\$ 38,008,901</b>	<b>\$ 56,385,000</b>

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**C. General Obligation Bonds**

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding		Additions	Deductions	Bonds Outstanding	
					July 01, 2015				June 30, 2016	
2014 Refunding Bonds	11/13/2014	8/1/2033	3.0 - 5.0%	\$ 33,490,000	\$ 33,490,000	\$ -	\$ 940,000	\$ -	\$ 32,550,000	
2008 General Obligation Bonds	9/18/2008	8/1/2016	4.0 - 5.5%	19,000,000	360,000	-	145,000	-	215,000	
2009 General Obligation Bonds	8/5/2009	8/1/2036	5.0 - 5.5%	34,433,777	33,203,777	-	400,000	-	32,803,777	
					<u>\$ 67,053,777</u>	<u>\$ -</u>	<u>\$ 1,485,000</u>	<u>\$ -</u>	<u>\$ 65,568,777</u>	

On November 13, 2014, the District issued \$33,490,000 of General Obligation Bonds to refund the 2008 and 2006 General Obligation Bonds. The bonds mature serially in varying amounts during the succeeding years through August 2033, with interest rates ranging from 3.0% through 5.0%.

Scheduled payments for the 2014 Refunding Bonds as of June 30, 2016 are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 445,000	\$ 1,282,338	\$ 1,727,338
2018	745,000	1,258,538	2,003,538
2019	840,000	1,226,838	2,066,838
2020	960,000	1,190,838	2,150,838
2021	1,080,000	1,144,638	2,224,638
2022 - 2026	7,500,000	4,726,438	12,226,438
2027 - 2031	11,860,000	2,580,869	14,440,869
2032 - 2034	9,120,000	453,050	9,573,050
Total	<u>\$ 32,550,000</u>	<u>\$ 13,863,547</u>	<u>\$ 46,413,547</u>

On September 18, 2008, the District issued \$19,000,000 of General Obligation Bonds to raise money for authorized school purposes. The bonds mature serially in varying amounts during the succeeding years through August 2016, with interest ranging from 4.0% to 5.5%.

Scheduled payments for the 2008 General Obligation Bonds as of June 30, 2016 are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 215,000	\$ 846,071	\$ 1,061,071
Total	<u>\$ 215,000</u>	<u>\$ 846,071</u>	<u>\$ 1,061,071</u>

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**C. General Obligation Bonds (continued)**

On August 5, 2009, the District issued \$34,433,777 of General Obligation Bonds to raise money for authorized school purposes. The bonds mature serially in varying amounts during the succeeding years through August 2036, with interest rates ranging from 5.0% through 5.50%.

Scheduled payments for the 2009 General Obligation Bonds, excluding accreted interest in the amount of \$2,253,050, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 500,000	\$ 1,508,406	\$ 2,008,406
2018	610,000	1,483,406	2,093,406
2019	730,000	1,452,906	2,182,906
2020	860,000	1,412,756	2,272,756
2021	1,000,000	1,365,456	2,365,456
2022 - 2026	3,596,122	6,203,031	9,799,153
2027 - 2031	9,982,891	5,382,544	15,365,435
2032 - 2036	14,838,930	1,893,738	16,732,668
2037	685,834	-	685,834
Total	\$ 32,803,777	\$ 20,702,243	\$ 53,506,020

**D. Capital Leases**

In February 2010, the District entered into a capital lease purchase agreement with Capital One Bank, for \$1,535,000 to finance the purchase of District school buses. The District is required to make lease payments of principal and interest in conjunction with these capital leases through February 2020. Scheduled payments for the related capital lease are as follows:

<b>Year Ended June 30,</b>	<b>Lease Payment</b>
2017	\$ 193,691
2018	193,691
2019	193,691
2020	193,691
Total minimum lease payments	774,764
Less amount representing interest	(77,558)
Present value of minimum lease payments	\$ 697,206

**E. Net Pension Liability**

The District's beginning net pension liability was \$60,627,000 and increased by \$11,665,839 during the year ended June 30, 2016. The ending net pension liability at June 30, 2016 was \$72,292,839. See Note 11 for additional information regarding the net pension liability.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2016:

	<b>General Fund</b>	<b>Charter Schools Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
Non-spendable				
Revolving cash	\$ 30,000	\$ -	\$ 1,910	\$ 31,910
Stores inventory	211,564	-	131,512	343,076
Prepaid expenditures	15,420	-	8,407	23,827
Total non-spendable	256,984	-	141,829	398,813
Restricted				
Educational programs	3,713,125	257,043	271,676	4,241,844
Capital projects	-	-	1,334,003	1,334,003
Debt service	-	-	5,406,647	5,406,647
Food service	-	-	1,229,159	1,229,159
Deferred maintenance	-	-	360,610	360,610
Total restricted	3,713,125	257,043	8,602,095	12,572,263
Assigned				
Other assignments	4,589,357	574,471	-	5,163,828
Total assigned	4,589,357	574,471	-	5,163,828
Unassigned				
Reserve for economic uncertainties	3,053,277	-	-	3,053,277
Remaining unassigned	11,959,433	-	-	11,959,433
Total unassigned	15,012,710	-	-	15,012,710
<b>Total</b>	<b>\$ 23,572,176</b>	<b>\$ 831,514</b>	<b>\$ 8,743,924</b>	<b>\$ 33,147,614</b>

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. At June 30, 2016, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**A. Plan Description and Contribution Information**

Marysville Joint Unified School District's Retired Employees Healthcare Plan (REHP) is a single-employer defined benefit healthcare plan administered by the Marysville Joint Unified School District. REHP provides medical and dental insurance benefits to eligible retirees, their spouses and if applicable, dependents.

The District issues a publicly available financial report that includes financial statements and required supplementary information for REHP. That report may be obtained by writing to Marysville Joint Unified School District, 1919 B Street, Marysville, California 95901, or by calling (530) 749-6125.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	665
Active plan members	62
Total*	<u>727</u>

Number of participating employers	1
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\*As of February 1, 2016 actuarial study

**B. Funding Policy**

The District's contribution is currently based on a project pay-as-you-go funding method, that is, benefits are payable when due.

As of June 30, 2016, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

**C. Annual OPEB Cost and Net OPEB Obligation**

The District's annual 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 for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 1,775,016
Interest on net OPEB obligation	241,750
Adjustment to annual required contribution	<u>(294,841)</u>
Annual OPEB cost (expense)	1,721,925
Contributions made	<u>(2,451,390)</u>
Increase (decrease) in net OPEB obligation	(729,465)
Net OPEB obligation, beginning of the year	5,372,218
Net OPEB obligation, end of the year	<u>\$ 4,642,753</u>

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**C. Annual OPEB Cost and Net OPEB Obligation (continued)**

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2016 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2016	\$ 1,721,925	142%	\$ 4,642,753
2015	\$ 1,735,548	59%	\$ 5,372,218
2014	\$ 1,914,759	57%	\$ 4,666,752

**D. Funded Status and Funding Progress**

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
February 1, 2016	\$ -	\$ 16,722,823	\$ 16,722,823	0%	\$ 60,595,000	28%

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, investment returns, 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 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.

**E. Actuarial Methods and Assumptions**

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

In the February 1, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4.0 percent initially. An inflation rate of 2.75 percent was used. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was 30 years.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 11 – PENSION PLANS**

Qualified employees are covered under multiple-employer contributory retirement 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). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 51,680,120	\$ 4,225,350	\$ 5,076,357	\$ 4,010,038
PERS Pension	20,612,719	3,343,981	1,972,300	1,957,058
<b>Total</b>	<b>\$ 72,292,839</b>	<b>\$ 7,569,331</b>	<b>\$ 7,048,657</b>	<b>\$ 5,967,096</b>

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**Benefits provided**

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

***CalSTRS 2% at 60***

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.



MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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NOTE 11 – PENSION PLANS (continued)

California State Teachers' Retirement System (CalSTRS) (continued)

**Benefits provided (continued)**

*CalSTRS 2% at 62*

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 9.20% and 8.56% of their salary for fiscal year 2016, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$4,177,960 for the year ended June 30, 2016.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$2,473,774 to CalSTRS (7.126% of 2013-14 creditable compensation subject to CalSTRS).

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

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

District's proportionate share of the net pension liability	\$	51,680,120
State's proportionate share of the net pension liability associated with the District		27,333,013
Total	\$	<u>79,013,133</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was .077 percent, which was unchanged from its proportion measured as of June 30, 2014.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 11 – PENSION PLANS (continued)**

**California State Teachers' Retirement System (CalSTRS) (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2016, the District recognized pension expense of \$4,010,038. In addition, the District recognized pension expense and revenue of \$2,116,685 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 4,212,770
Differences between expected and actual experience	-	863,587
Changes in proportion and differences between District contributions and proportionate share of contributions	47,390	-
District contributions subsequent to the measurement date	4,177,960	-
	<u>\$ 4,225,350</u>	<u>\$ 5,076,357</u>

The \$4,177,960 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 7,898	\$ 1,197,124
2018	7,898	1,197,124
2019	7,898	1,197,124
2020	7,898	1,197,124
2021	7,898	143,931
2022	7,900	143,930
	<u>\$ 47,390</u>	<u>\$ 5,076,357</u>

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield*	7.60%
Wage Inflation	3.75%

\* Net of investment expenses, but gross of administrative expenses.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 11 – PENSION PLANS (continued)**

**California State Teachers' Retirement System (CalSTRS) (continued)**

**Actuarial assumptions (continued)**

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2006 to June 30, 2010.

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

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-Term* Expected Real Rate of Return</b>
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%
	<u>100%</u>	

\* 10-year geometric average

**Discount rate**

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

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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NOTE 11 – PENSION PLANS (continued)

California State Teachers' Retirement System (CalSTRS) (continued)

**Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, 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 (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 78,032,958	\$ 51,680,120	\$ 29,778,784

**Pension plan fiduciary net position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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**NOTE 11 – PENSION PLANS (continued)**

**California Public Employees' Retirement System (CalPERS)**

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**Benefits provided**

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016 was 11.847% of annual payroll. Contributions to the plan from the District were \$2,018,745 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$20,612,719 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was .14 percent, which was unchanged from its proportion measured as of June 30, 2014.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2016, the District recognized pension expense of \$1,957,058. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 705,797
Differences between expected and actual experience	1,178,047	-
Changes in assumptions	-	1,266,503
Changes in proportion and differences between District contributions and proportionate share of contributions	147,189	-
District contributions subsequent to the measurement date	2,018,745	-
	<u>\$ 3,343,981</u>	<u>\$ 1,972,300</u>

The \$2,018,745 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 456,099	\$ 613,174
2018	456,099	613,174
2019	413,038	569,502
2020	-	176,450
	<u>\$ 1,325,236</u>	<u>\$ 1,972,300</u>

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

**Actuarial assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield*	7.65%
Wage Inflation	Varies by Entry Age and Service

\* Net of investment expenses, but gross of administrative expenses.

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 11 – PENSION PLANS (continued)**

**California Public Employees’ Retirement System (CalPERS) (continued)**

**Actuarial assumptions (continued)**

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Years 11+**</u>
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	<u>100%</u>		

\* An expected inflation of 2.5% used for this period

\*\* An expected inflation of 3.0% used for this period

**Discount rate**

The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, 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 (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	<u>1% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
District's proportionate share of the net pension liability	\$ 33,548,916	\$ 20,612,719	\$ 9,855,405

**Pension plan fiduciary net position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.



MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

**B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

**C. Construction Commitments**

As of June 30, 2016, the District had no commitments with respect to unfinished capital projects.

**NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

The District participates in two joint ventures under joint powers authorities (JPAs), Schools Insurance Group for workers' compensation and Northern California Schools Insurance Group for property and liability. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements. However, fund transactions between the JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

**NOTE 14 – DEFERRED AMOUNT ON REFUNDING**

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2016, the deferred amount on refunding was \$2,658,823.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**GENERAL FUND – BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final to Actual</b>
<b>REVENUES</b>				
LCFF sources	\$ 80,965,965	\$ 82,074,391	\$ 83,079,182	\$ 1,004,791
Federal sources	6,208,630	7,788,723	6,989,484	(799,239)
Other state sources	8,932,031	11,101,479	12,485,174	1,383,695
Other local sources	3,719,779	4,620,551	5,400,550	779,999
<b>Total Revenues</b>	<b>99,826,405</b>	<b>105,585,144</b>	<b>107,954,390</b>	<b>2,369,246</b>
<b>EXPENDITURES</b>				
Certificated salaries	41,551,300	40,087,268	38,951,502	1,135,766
Classified salaries	15,210,411	16,072,305	16,026,614	45,691
Employee benefits	17,335,854	20,775,997	21,593,511	(817,514)
Books and supplies	6,833,732	7,720,010	6,368,489	1,351,521
Services and other operating expenditures	8,483,788	10,788,278	8,867,668	1,920,610
Capital outlay	974,568	5,298,025	3,250,012	2,048,013
Other outgo				
Excluding transfers of indirect costs	3,525,406	3,518,412	3,834,158	(315,746)
Transfers of indirect costs	(777,544)	(816,502)	(831,071)	14,569
<b>Total Expenditures</b>	<b>93,137,515</b>	<b>103,443,793</b>	<b>98,060,883</b>	<b>5,382,910</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>6,688,890</b>	<b>2,141,351</b>	<b>9,893,507</b>	<b>7,752,156</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(32,522)	(827,000)	(846,055)	(19,055)
<b>Net Financing Sources (Uses)</b>	<b>(32,522)</b>	<b>(827,000)</b>	<b>(846,055)</b>	<b>(19,055)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>6,656,368</b>	<b>1,314,351</b>	<b>9,047,452</b>	<b>7,733,101</b>
<b>Fund Balance - Beginning</b>	<b>14,524,724</b>	<b>14,524,724</b>	<b>14,524,724</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 21,181,092</b>	<b>\$ 15,839,075</b>	<b>\$ 23,572,176</b>	<b>\$ 7,733,101</b>

See accompanying note to required supplementary information.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**CHARTER SCHOOLS SPECIAL REVENUE FUND – BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	\$ 2,917,442	\$ 2,924,232	\$ 3,011,622	\$ 87,390
Federal sources	-	1,061	451	(610)
Other state sources	327,300	586,824	558,466	(28,358)
Other local sources	4,000	31,220	51,757	20,537
Total Revenues	3,248,742	3,543,337	3,622,296	78,959
EXPENDITURES				
Certificated salaries	1,523,615	1,532,504	1,469,236	63,268
Classified salaries	137,210	141,177	147,790	(6,613)
Employee benefits	476,996	594,193	592,166	2,027
Books and supplies	170,185	289,263	166,653	122,610
Services and other operating expenditures	177,011	258,265	229,439	28,826
Capital outlay	113,448	384,619	298,307	86,312
Other outgo				
Transfers of indirect costs	373,613	373,927	373,613	314
Total Expenditures	2,972,078	3,573,948	3,277,204	296,744
Excess (Deficiency) of Revenues				
Over Expenditures	276,664	(30,611)	345,092	375,703
NET CHANGE IN FUND BALANCE				
	276,664	(30,611)	345,092	375,703
Fund Balance - Beginning	486,422	486,422	486,422	-
Fund Balance - Ending	\$ 763,086	\$ 455,811	\$ 831,514	\$ 375,703

See accompanying note to required supplementary information.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
February 1, 2016	\$ -	\$ 16,722,823	\$ 16,722,823	0%	\$ 60,595,000	28%
February 1, 2014	\$ -	\$ 17,100,000	\$ 17,100,000	0%	\$ 48,600,000	35%
February 1, 2012	\$ -	\$ 17,400,000	\$ 17,400,000	0%	\$ 45,400,000	38%

See accompanying note to required supplementary information.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -**  
**CALSTRS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.077%	0.077%
District's proportionate share of the net pension liability	\$ 51,680,120	\$ 44,833,000
States's proportionate share of the net pension liability associated with the District	27,333,013	27,024,105
Total	<u>\$ 79,013,133</u>	<u>\$ 71,857,105</u>
District's covered-employee payroll	\$ 39,016,539	\$ 34,171,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	132.5%	131.2%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%	76.5%

See accompanying note to required supplementary information.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -**  
**CALPERS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.140%	0.140%
District's proportionate share of the net pension liability	\$ 20,612,719	\$ 15,794,000
District's covered-employee payroll	\$ 17,031,702	\$ 14,605,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	121.0%	108.1%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%	83.4%

See accompanying note to required supplementary information.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 4,177,960	\$ 3,173,951
Contributions in relation to the contractually required contribution*	(4,177,960)	(3,173,951)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 39,016,539	\$ 34,171,000
Contributions as a percentage of covered-employee payroll	10.71%	9.29%

\*Amounts do not include on behalf contributions



**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,018,745	\$ 1,816,275
Contributions in relation to the contractually required contribution	(2,018,745)	(1,816,275)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 17,031,702	\$ 14,605,000
Contributions as a percentage of covered-employee payroll	11.85%	12.44%

See accompanying note to required supplementary information.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Funding Progress**

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

**Schedule of the District's Proportionate Share of the Net Pension Liability**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**Schedule of District Contributions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2016, the District incurred no excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

	<b>Expenditures and Other Uses</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund			
Employee benefits	\$ 20,775,997	\$ 21,593,511	\$ 817,514
Other outgo			
Excluding transfers of indirect costs	\$ 3,518,412	\$ 3,834,158	\$ 315,746
Charter Schools Special Revenue Fund			
Classified salaries	\$ 141,177	\$ 147,790	\$ 6,613

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# **SUPPLEMENTARY INFORMATION**

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**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster</b>	<b>CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U. S. DEPARTMENT OF EDUCATION:</b>			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 3,464,544
Title I, Part G, Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	14831	6,724
Title II, Part A, Teacher Quality [1]	84.367	14341	907,300
Title III			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	216,626
Title III, Immigrant Education Program	84.365	15146	1,404
Subtotal Title III			218,030
Indian Education	84.060	10011	332,277
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,569,865
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	108,012
IDEA Quality Assurance & Focused Monitoring	84.027A	13693	5,214
Subtotal Special Education Cluster			1,683,091
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	112,940
Title X, McKinney-Vento Homeless Assistance	84.196	14332	16,923
<b>Total U. S. Department of Education</b>			<b>6,741,829</b>
<b>U. S. DEPARTMENT OF AGRICULTURE:</b>			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster [1]			
School Breakfast Program - Severe Need	10.553	13526	1,364,038
National School Lunch Program	10.555	13391	3,497,997
Meal Supplements (After-School Snacks)	10.555	*	1,787
USDA Commodities [2]	10.555	*	390,218
Summer Food Service Program for Children	10.559	13004	17,649
Subtotal Child Nutrition Cluster			5,271,689
Child and Adult Care Food Program	10.558	13666	541,715
Child Nutrition: Fresh Fruit and Vegetable Program	10.582	14968	204,025
Forest Reserve Funds	10.665	10044	20,378
<b>Total U. S. Department of Agriculture</b>			<b>6,037,807</b>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
<i>Passed through California Department of Education:</i>			
Child Development: Federal Child Care, Center Based	93.596	13609	78,964
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	133,563
<b>Total U. S. Department of Health &amp; Human Services</b>			<b>212,527</b>
<b>Total Federal Expenditures</b>			<b>\$ 12,992,163</b>

[1] - Major Program

[2] - In-Kind Contribution

\* - Pass-Through Entity Identifying Number not available or not applicable

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Second Period Report</b>	<b>Revised Second Period Report*</b>	<b>Annual Report</b>
SCHOOL DISTRICT			
TK/K through Third			
Regular ADA	3,130.64	3,132.76	3,134.03
Total TK/K through Third	3,130.64	3,132.76	3,134.03
Fourth through Sixth			
Regular ADA	2,218.88	2,220.03	2,220.26
Special Education - Nonpublic Schools	5.03	5.03	5.08
Extended Year Special Education - Nonpublic Schools	0.40	0.40	0.77
Total Fourth through Sixth	2,224.31	2,225.46	2,226.11
Seventh through Eighth			
Regular ADA	1,180.70	1,181.61	1,181.49
Community Day School	6.02	6.02	6.84
Total Seventh through Eighth	1,186.72	1,187.63	1,188.33
Ninth through Twelfth			
Regular ADA	2,254.05	2,260.64	2,235.89
Special Education - Nonpublic Schools	5.97	5.97	8.77
Extended Year Special Education - Nonpublic Schools	0.52	0.52	0.62
Community Day School	30.86	31.06	29.27
Total Ninth through Twelfth	2,291.40	2,298.19	2,274.55
TOTAL SCHOOL DISTRICT	8,833.07	8,844.04	8,823.02

**Marysville Charter Academy for the Arts**

	<b>Second Period Report</b>	<b>Revised Second Period Report*</b>	<b>Annual Report</b>
CLASSROOM-BASED CHARTER SCHOOL			
Classroom-based Seventh through Eighth			
Regular ADA	140.09	140.63	140.01
Total Classroom-based Seventh through Eighth	140.09	140.63	140.01
Classroom-based Ninth through Twelfth			
Regular ADA	220.89	221.74	220.16
Total Classroom-based Ninth through Twelfth	220.89	221.74	220.16
SUBTOTAL CLASSROOM-BASED CHARTER SCHOOL	360.98	362.37	360.17
Non classroom-based Seventh through Eighth			
Regular ADA	1.04	1.04	1.01
Total Non Classroom-based Seventh through Eighth	1.04	1.04	1.01
Non classroom-based Ninth through Twelfth			
Regular ADA	2.50	2.50	2.30
Total Non Classroom-based Ninth through Twelfth	2.50	2.50	2.30
SUBTOTAL CLASSROOM-BASED CHARTER SCHOOL	3.54	3.54	3.31
TOTAL CHARTER SCHOOL	364.52	365.91	363.48

*\*Revisions to the Second Period Reports were made based on District adjustments rather than audit adjustments.*

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>2015-16</b>	<b>Number of Days</b>	<b>Status</b>
		<b>Actual Minutes</b>		
Kindergarten	36,000	37,800	180	Complied
Grade 1	50,400	50,550	180	Complied
Grade 2	50,400	50,550	180	Complied
Grade 3	50,400	50,550	180	Complied
Grade 4	54,000	54,330	180	Complied
Grade 5	54,000	54,330	180	Complied
Grade 6	54,000	60,304	180	Complied
Grade 7	54,000	60,411	180	Complied
Grade 8	54,000	60,411	180	Complied
Grade 9	64,800	64,915	180	Complied
Grade 10	64,800	64,915	180	Complied
Grade 11	64,800	64,915	180	Complied
Grade 12	64,800	64,915	180	Complied

**Marysville Charter Academy for the Arts**

Grade 7	54,000	64,950	180	Complied
Grade 8	54,000	64,950	180	Complied
Grade 9	64,800	64,950	180	Complied
Grade 10	64,800	64,950	180	Complied
Grade 11	64,800	64,950	180	Complied
Grade 12	64,800	64,950	180	Complied

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	2017 (Budget)	2016	2015	2014
General Fund - Budgetary Basis				
Revenues And Other Financing Sources	\$ 109,016,242	\$ 107,954,390	\$ 87,892,204	\$ 80,654,912
Expenditures And Other Financing Uses	103,173,535	98,906,938	86,578,329	78,474,767
Net change in Fund Balance	\$ 5,842,707	\$ 9,047,452	\$ 1,313,875	\$ 2,180,145
Ending Fund Balance	\$ 29,414,883	\$ 23,572,176	\$ 14,524,724	\$ 13,210,849
Available Reserves*	\$ 21,913,010	\$ 15,012,710	\$ 8,160,775	\$ 7,355,183
Available Reserves As A Percentage Of Outgo	21.24%	15.18%	9.43%	9.37%
Long-term Debt	\$ 172,405,928	\$ 173,961,706	\$ 163,724,080	\$ 103,819,132
Average Daily Attendance At P-2	9,005	8,833	8,637	8,754

The General Fund balance has increased by \$10,361,327 over the past two years. The fiscal year 2016-17 budget projects a further increase of \$5,842,707. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2016-17 fiscal year. Total long term obligations have increased by \$70,142,574 over the past two years.

Average daily attendance has increased by 79 ADA over the past two years. An increase of 172 ADA is anticipated during the 2016-17 fiscal year.

\*Available reserves consist of all unassigned fund balance within the General Fund.



MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

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*There were no audit adjustments to any funds of the District for the year ended June 30, 2016.*

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF CHARTER SCHOOLS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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<b>Charter School</b>	<b>Status</b>	<b>Included in Audit Report</b>
Marysville Charter Academy for the Arts	Active	Yes
Paragon Collegiate Academy	Active	No

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2016**

	Adult Education	Child		Deferred		Capital Facilities	County School		Debt Service Fund		Non-Major
	Fund	Development	Cafeteria Fund	Maintenance	Building Fund	Fund	Facilities Fund	Bond Interest &	for Blended	Debt Service Fund	Governmental
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Redemption Fund	Component Units	Fund	Funds
<b>ASSETS</b>											
Cash and investments	\$ 47,882	\$ 195,056	\$ 794,590	\$ 416,877	\$ 95,111	\$ 1,103,180	\$ 143,003	\$ 2,966,041	\$ 2,440,606	\$ 1,336	\$ 8,203,682
Accounts receivable	-	203,940	814,055	-	-	-	-	-	-	-	1,017,995
Due from other funds	-	22,808	6,912	-	-	1,336	-	-	-	-	31,056
Stores inventory	-	-	131,512	-	-	-	-	-	-	-	131,512
Prepaid expenditures	-	-	293	-	-	8,114	-	-	-	-	8,407
<b>Total Assets</b>	<b>\$ 47,882</b>	<b>\$ 421,804</b>	<b>\$ 1,747,362</b>	<b>\$ 416,877</b>	<b>\$ 95,111</b>	<b>\$ 1,112,630</b>	<b>\$ 143,003</b>	<b>\$ 2,966,041</b>	<b>\$ 2,440,606</b>	<b>\$ 1,336</b>	<b>\$ 9,392,652</b>
<b>LIABILITIES</b>											
Accrued liabilities	\$ -	\$ 53,325	\$ 44,764	\$ 56,267	\$ 363	\$ 8,050	\$ -	\$ -	\$ -	\$ -	\$ 162,769
Due to other funds	-	144,685	322,465	-	-	214	-	-	-	1,336	468,700
Unearned revenue	-	-	17,259	-	-	-	-	-	-	-	17,259
<b>Total Liabilities</b>	<b>-</b>	<b>198,010</b>	<b>384,488</b>	<b>56,267</b>	<b>363</b>	<b>8,264</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,336</b>	<b>648,728</b>
<b>FUND BALANCES</b>											
Non-spendable	-	-	133,715	-	-	8,114	-	-	-	-	141,829
Restricted	47,882	223,794	1,229,159	360,610	94,748	1,096,252	143,003	2,966,041	2,440,606	-	8,602,095
<b>Total Fund Balances</b>	<b>47,882</b>	<b>223,794</b>	<b>1,362,874</b>	<b>360,610</b>	<b>94,748</b>	<b>1,104,366</b>	<b>143,003</b>	<b>2,966,041</b>	<b>2,440,606</b>	<b>-</b>	<b>8,743,924</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 47,882</b>	<b>\$ 421,804</b>	<b>\$ 1,747,362</b>	<b>\$ 416,877</b>	<b>\$ 95,111</b>	<b>\$ 1,112,630</b>	<b>\$ 143,003</b>	<b>\$ 2,966,041</b>	<b>\$ 2,440,606</b>	<b>\$ 1,336</b>	<b>\$ 9,392,652</b>

See accompanying note to supplementary information.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Debt Service Fund for Blended Component Units	Debt Service Fund	Non-Major Governmental Funds
<b>REVENUES</b>											
Federal sources	\$ -	\$ 78,964	\$ 6,017,429	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,096,393
Other state sources	-	2,032,487	428,830	-	-	-	41,557	16,337	17,677	-	2,536,888
Other local sources	350	10,216	413,117	3,327	(1,994)	775,585	1,054	2,117,760	2,263,990	-	5,583,405
<b>Total Revenues</b>	350	2,121,667	6,859,376	3,327	(1,994)	775,585	42,611	2,134,097	2,281,667	-	14,216,686
<b>EXPENDITURES</b>											
Current											
Instruction	-	1,668,860	-	-	-	-	-	-	-	-	1,668,860
Instruction-related services											
Instructional supervision and administration	-	284,579	-	-	-	-	-	-	-	-	284,579
School site administration	-	27,338	-	-	-	-	-	-	-	-	27,338
Pupil services											
Food services	-	-	6,621,905	-	-	-	-	-	-	-	6,621,905
All other pupil services	-	4,071	-	-	-	-	-	-	-	-	4,071
General administration											
All other general administration	-	140,349	317,108	-	-	55,406	-	-	-	-	512,863
Plant services	-	32,219	840	158,497	-	-	-	-	-	-	191,556
Facilities acquisition and maintenance	-	-	-	885,267	204,520	1,184	-	-	-	-	1,090,971
Enterprise activities	-	-	5,506	-	-	-	-	-	-	-	5,506
Debt service											
Principal	-	-	-	-	-	425,000	-	1,085,000	400,000	-	1,910,000
Interest and other	-	-	-	-	-	132,584	-	1,324,412	1,518,406	-	2,975,402
<b>Total Expenditures</b>	-	2,157,416	6,945,359	1,043,764	204,520	614,174	-	2,409,412	1,918,406	-	15,293,051
<b>Excess (Deficiency) of Revenues</b>											
<b>Over Expenditures</b>	350	(35,749)	(85,983)	(1,040,437)	(206,514)	161,411	42,611	(275,315)	363,261	-	(1,076,365)
<b>Other Financing Sources (Uses)</b>											
Transfers in	-	22,808	3,247	820,000	41,557	1,336	-	-	-	-	888,948
Transfers out	-	-	-	-	-	-	(41,557)	-	-	(1,336)	(42,893)
<b>Net Financing Sources (Uses)</b>	-	22,808	3,247	820,000	41,557	1,336	(41,557)	-	-	(1,336)	846,055
<b>NET CHANGE IN FUND BALANCE</b>	350	(12,941)	(82,736)	(220,437)	(164,957)	162,747	1,054	(275,315)	363,261	(1,336)	(230,310)
<b>Fund Balance - Beginning</b>	47,532	236,735	1,445,610	581,047	259,705	941,619	141,949	3,241,356	2,077,345	1,336	8,974,234
<b>Fund Balance - Ending</b>	\$ 47,882	\$ 223,794	\$ 1,362,874	\$ 360,610	\$ 94,748	\$ 1,104,366	\$ 143,003	\$ 2,966,041	\$ 2,440,606	\$ -	\$ 8,743,924

See accompanying note to supplementary information.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE**  
**JUNE 30, 2016**

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Marysville Joint Unified School District was established in 1966. The District is a political subdivision of the State of California. The District currently operates 22 individual school sites. The District also operates Child Care/Preschool Programs in 9 locations, and Marysville Charter Academy of the Arts. There were no changes in District boundaries for the year.

<b>BOARD OF TRUSTEES</b>		
<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Bernard Rechs	President	December 2016
Glen Harris	Vice President	December 2016
Frank Crawford	Trustee Representative	December 2018
Jeff Boom	Clerk	December 2018
Jim Flurry	Member	December 2016
Anthony Dannible	Member	December 2016
Randy Rasmussen	Member	December 2018

**DISTRICT ADMINISTRATORS**

Gay S. Todd  
*Superintendent/Secretary of the Board*

Ramiro Carreon  
*Assistant Superintendent Personnel Services*

Ryan DiGiulio  
*Assistant Superintendent Business Services*

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2016

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The District has not elected to use the 10 percent de minimis indirect cost rate for the year ended June 30, 2016.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2016 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2016.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 13,086,328
Medi-Cal Billing Option	93.778	<u>(94,165)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$12,992,163</u>

**Schedule of Average Daily Attendance (ADA)**

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

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2016, the District participated in the Longer Day incentive funding program. As of June 30, 2016, the District had not yet met its target funding.

**Schedule of Financial Trends and Analysis**

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

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION, continued  
JUNE 30, 2016

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NOTE 1 – PURPOSE OF SCHEDULES (continued)

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

**Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

**Combining Statements – Non-Major Funds**

These statements provide information on the District's non-major funds.

**Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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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

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Board of Trustees  
Marysville Joint Unified School District  
Marysville, California

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 Marysville Joint Unified School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Marysville Joint Unified 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 Marysville Joint Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marysville Joint Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Marysville Joint Unified School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Findings #2016-1 and #2016-2)

### **Compliance and Other Matters**

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

### **Marysville Joint Unified School District's Response to Findings**

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

### **Purpose of this Report**

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



San Diego, California  
December 14, 2016

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

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Board of Trustees

Marysville Joint Unified School District

Marysville, California

**Report on Compliance for Each Major Federal Program**

We have audited Marysville Joint Unified 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 Marysville Joint Unified School District's major federal programs for the year ended June 30, 2016. Marysville Joint Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

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

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### ***Opinion on Each Major Federal Program***

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

### **Report on Internal Control Over Compliance**

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

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

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

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

*Christy White Associates*

San Diego, California  
December 14, 2016

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Board of Trustees  
Marysville Joint Unified School District  
Marysville, California

### **Report on State Compliance**

We have audited Marysville Joint Unified School 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*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Marysville Joint Unified School District's state programs for the fiscal year ended June 30, 2016, as identified below.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Marysville Joint Unified School District's state 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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Marysville Joint Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Marysville Joint Unified School District's compliance with those requirements.

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### *Opinion on State Compliance*

In our opinion, Marysville Joint Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2016.

### *Procedures Performed*

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

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	No
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Attendance; for charter schools	Yes
Mode of Instruction; for charter schools	Yes
Nonclassroom-Based Instruction/Independent Study; for charter schools	No
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Yes
Charter School Facility Grant Program	Yes

We did not perform testing for Educator Effectiveness because there were no expenditures of program funds during the year ended June 30, 2016.

We did not perform any procedures related to Nonclassroom-Based Instruction/Independent Study for charter schools because the nonclassroom-based ADA for the District's charter school was below the level that requires testing.

*Christy White Associates*

San Diego, California  
December 14, 2016

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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**SUMMARY OF AUDITORS' RESULTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
<u>84.367</u>	<u>Title II, Part A, Teacher Quality</u>	
<u>10.553, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>750,000</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

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**FIVE DIGIT CODE**

20000  
30000

**AB 3627 FINDING TYPE**

Inventory of Equipment  
Internal Control

**FINDING #2016-01 ASSOCIATED STUDENT BODY (ASB) (30000)**

**Criteria:** Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meeting reduce the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

**Condition:** Through our testing of controls over school site ASB activities, we noted the following deficiency in internal controls:

- Foothills Intermediate School
  - Four (4) out of 10 cash receipts tested did not appear to be deposited in a timely manner.

**Cause:** Insufficient controls over student body activities.

**Effect:** A lack of proper internal controls can lead to accounting irregularities to go undetected and increase the potential for the misappropriation of fiduciary fund assets.

**Perspective:** Testing internal controls over Associated Student Body transactions at three school sites.

**Recommendation:** We recommend that deposits be made within 1-2 weeks from the date of collection in order to properly safeguard fiduciary funds. The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

**District Response:** The District has implemented a time period requirement for all ASBs to deposit cash on at least a weekly basis. The District also held a FCMAT Associated Student Body (ASB) Training Workshop for all of the schools with ASB and issued the latest FCMAT ASB Accounting Manual & Desk Reference to reinforce the importance for sound internal control procedures to be implemented.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINDING #2016-02: CAPITAL ASSETS INVENTORY (20000)**

**Criteria:** District fixed asset policies require the capitalization and annual depreciation of capital assets with a current value of \$15,000. The District must maintain current, auditable asset listings to support the amount reported on the government-wide statement of net position. Physical inventory counts should be performed every two years to verify accuracy of asset listing and valuations. This inventory should include a current detail of construction projects in progress and their related costs, which will then be depreciated once the projects have been closed out and placed into service.

**Condition:** During our audit of the financial statements of the District, we determined that construction projects in progress had not been adequately tracked for purposes of recording depreciation. We noted that many projects had been recorded in the construction in progress worksheet, but were not transferred into Escape Financial Software for purposes of tracking depreciation on the related projects had been completed and placed into service.

**Context:** Governmental accounting standards require property, plant and equipment to be inventoried and valued every two years for a District this size. For construction projects, this should be an ongoing process that tracks the related costs and begins depreciating the assets once they are placed into service.

**Effect:** Without completing regular updates of physical inventory and construction in progress listings, the District does not maintain adequate control over buildings, site improvements, and other assets as they relate to the government-wide financial statements and the related depreciation expenses.

**Cause:** Based on inquiry, recent turnover in key positions within the Business Office has made it difficult to adequately track construction projects for purpose of tracking depreciation on completed projects and preparing the related financial statements. Current policies do not appear to require project inventory records to be maintained and updated contemporaneously.

**Recommendation:** We recommend the District implement procedures that ensure the capital asset listing is updated and verified by performing annual physical inventories. This process may require the assistance of an outside consulting firm. It may not be necessary to conduct the inventory each year for all sites within the District, however, the procedures should ensure that during a two year cycle, all District sites have performed a physical inventory. Completed construction projects should begin recognizing depreciation expense in the fiscal year in which they are placed into service.

**District Response:** The District has implemented procedures that ensure the capital asset listing is updated on an annual basis and verified by performing annual physical inventories. This procedure includes recognizing depreciation expense in the fiscal year in which they are placed into service.

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

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FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

*There were no findings or questioned costs related to federal awards for the year ended June 30, 2016.*

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

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FIVE DIGIT CODE

10000  
40000  
42000  
60000  
61000  
62000  
70000  
71000  
72000

AB 3627 FINDING TYPE

Attendance  
State Compliance  
Charter School Facilities Programs  
Miscellaneous  
Classroom Teacher Salaries  
Local Control Accountability Plan  
Instructional Materials  
Teacher Misassignments  
School Accountability Report Card

*There were no findings or questioned costs related to state awards for the year ended June 30, 2016.*

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINDING #2015-1 Student Body Accounting (30000)**

**Criteria:** Internal Controls – Safeguarding of Assets.

**Condition:** At Lindhurst High School it was noted that tally sheets were not used by student groups to track individual sales of items.

**Effect:** There exists a risk that ASB funds could potentially be misappropriated.

**Cause:** Adequate internal control procedures have not been consistently followed.

**Questioned Costs:** Not determinable.

**Recommendation:** School sites should maintain supporting documentation, either sub receipts or tally sheets, to support initial sales and cash collection, which reconciles bank to deposits.

**District Response:** Lindhurst High School will supply student groups with tally sheets for student events with sales to record and track individual sales.

**Current Status:** Implemented.