BERRYESSA UNION SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2016

BERRYESSA UNION SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016
(Continued)

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BERRYESSA UNION SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Berryessa Union School District
San Jose, 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 Berryessa Union School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Berryessa Union School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 11 and the General Fund Budgetary Comparison Schedule, Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 47 to 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Berryessa Union School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S.Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, 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 schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

(Continued)

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016 on our consideration of Berryessa Union 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 Berryessa Union School District's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 7, 2016

1376 Piedmont Road – San Jose, California 95122

Business Services – Phone (408) 923-1860 Fax (408) 258-3869

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Berryessa Union School District's (BUSD) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Berryessa Union School District (the District) using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term liabilities). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, business-type, and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Activities* are agency funds, which only report a balance sheet and do not have a measurement focus.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in them. Net position is the net difference between assets, deferred outflows, liabilities, and deferred inflows, and is one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating.

The relationship between revenues and expenses is the District's *operating results.* Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, the activities of the District are presented as follows:

Governmental activities – The basic services provided by the District, such as regular and special education, administration, and transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition are also included here, but are financed by a combination of state and federal contract and grants, and local revenues.

Business-type activities – The District does not provide any services that should be included in this category.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like our funds for associated student body activities and scholarships. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position is negative by $10.5 million as of June 30, 2016, which is a net increase of $5.4 million when compared to June 30, 2015. The primary reasons for the increase in net position are the changes in the District's net pension liability resulting from Governmental Accounting Standards Board Statement No. 68 (GASB 68). Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use that net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's *Governmental Activities*.

Table 1 - Net Position
Comparative Statement of Net Position

	2016	2015
Assets:		
Current and other assets	$ 64,057,407	$ 63,521,526
Capital assets	86,922,439	78,612,575
Total Assets	150,979,846	142,134,101
Deferred Outflows of Resources:		
Deferred outflows of resources - pensions	5,554,052	3,757,002
Total Deferred Outflows	5,554,052	
Liabilities:		
Current liabilities	7,835,741	3,710,408
Long-term liabilities	153,752,014	145,443,650
Total Liabilities	161,587,755	149,154,058
Deferred Inflows of Resources:		
Deferred inflows of resources - pensions	5,482,000	12,653,000
Total Deferred Outflows	5,482,000	
Net investment in capital assets	32,176,537	33,194,880
Restricted	11,826,965	9,325,320
Unrestricted	(54,539,359)	(58,436,155)
Total Net Position	$ (10,535,857)	$ (15,915,955)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 13. Table 2 takes the information from the statement and condenses it so one can see total revenues and expenses for the two years.

Table 2 - Changes in Net Position
Comparative Statement of Changes in Net Position

	2016	2015
Revenues		
Program revenues:		
Charges for services	$ 1,196,546	$ 1,183,272
Operating grants and contributions	10,898,052	9,926,046
Capital grants and contributions	-	-
General revenues:		
State Local Control Funding Formula	29,866,876	27,146,365
Property taxes - general purposes	29,996,508	27,163,131
Property taxes - other purposes	9,727,773	6,957,614
Other general revenues	6,955,395	3,699,649
Total Revenues	88,641,150	76,076,077
Expenses		
Instruction and instruction related	61,519,022	59,787,988
Student support services	6,765,857	6,528,104
Administration	5,077,868	5,065,794
Plant Services	5,909,877	5,755,494
Other	3,988,428	3,628,918
Total Expenses	83,261,052	80,766,298
Changes in Net Position	$ 5,380,098	$ (4,690,221)

Governmental Activities

As reported in the Statement of Activities on page 13, the cost of all of governmental activities this year was $83.3 million. However, the amount that the district's taxpayers ultimately financed for these activities through local taxes was only $30 million because the cost was paid by those who benefited from the programs ($1.2 million) or by other government and/or organizations which subsidized certain programs with grants and contributions ($10.2 million). The remaining "public benefit" portion of our governmental activities was paid with $9.7 million in other purposes Property taxes, $36.9 million in State funds and other revenues such as interest income and general entitlements.

In Table 3, we have presented the cost of each of the District's eight largest functions – instruction, instruction related, pupil services, general administration, plant services, facilities acquisition and construction, interest and other activities as well as each program's *net* cost (total cost less revenues generated by the activities). 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.

Table 3 - Net Cost of Services

Comparative Statement of Net Cost of Services

	2016	2015
Instruction	$ 45,313,198	$ 45,154,204
Instruction related	8,359,814	7,823,271
Pupil services	3,871,960	3,587,824
General administration	4,810,903	4,826,374
Plant services	5,907,040	4,676,390
Interest on long - term liabilities	3,489,848	3,418,560
Other activities	(586,309)	170,357
	$ 71,166,454	$ 69,656,980

THE DISTRICT'S FUNDS

The Statement of Revenues, Expenditures and Changes in Fund Balances can be found on page 16, reports financial information by major funds. As the District completed this year, our governmental funds reported a combined fund balance of $57.1 million, which is a decrease of $3 million from last year. The primary reason for the decrease is due to the Building Fund for bond related projects.

General Fund Budgetary Highlights

The Education Code requires that all school districts adopt a budget by July 1, then twice a year submit to their County Offices of Education interim financial reports. This first interim report reflects the status of district finances as of October 31 and second interim reflects the status of as of January 31. Year-end unaudited actuals are submitted by September 15.

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures.

- During 2015/16, significant revenue revisions were made to property tax revenue, state, federal, and local income. Revisions were made as new information was received or when new grants and donations were received.

- Significant expenditure revisions were also made to include the new grants and donations as well as additional Special Education costs.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had $86.9 million in a broad range of capital assets, including land, buildings, and furniture and equipment. More detailed information is presented in Note 4 of the financial statements.

Table 4 - Capital Assets

Comparative Statement of Capital Assets

	2016	2015
Land	$ 2,523,593	$ 2,523,593
Improvement to sites	44,354,528	41,326,940
Buildings	96,430,430	96,430,430
Equipment	2,461,236	2,070,234
Construction in progress	11,791,303	1,599,218
Total Assets	157,561,090	143,950,415
less Accumulated Depreciation	(70,638,651)	(65,337,840)
Total	**$ 86,922,439**	**$ 78,612,575**

-

Highlights of this year's construction program include:

- Completed projects
  - Modernization Fencing
  - Paving (Northwood, Toyon, Summerdale, Sierramont)
  - School Play Area
  - School Exterior Painting
- Projects that are works in progress
  - Schools Modernization
  - Schools Paving (Noble, Vinci Park, Morrill)
  - Energy Conservation
  - Technology Wireless
  - Central Kitchens

Long-Term Liabilities

Table 5 - Long-Term Liabilities
Comparative Statement of Long-Term Liabilities

	2016	2015
General Obligation Bonds	$ 61,918,031	$ 66,158,030
Accreted Interest	10,496,067	9,471,651
Unamortized Premiums	1,636,451	1,702,261
Qualified Zone Academy Bonds (QZAB)	5,758,469	6,213,948
Capital Lease Obligations	96,248	124,408
Net OPEB Obligation	17,541,541	14,589,929
Net Pension Liability (CalPERS & CalSTRS)	56,120,000	47,015,000
Compensated Absences	185,207	168,423
Totals	**$ 153,752,014**	**$145,443,650**

More detailed information regarding the district's long-term liabilities can be found in Note 5 of the financial statements.

HIGHLIGHTS FOR THE 2016/2017 BUDGET

In considering the District Adopted Budget for the 2016/17 year, the District Board and management used the following criteria:

Revenue assumptions are based on the following:

1) Revenue has been calculated based on the projected 2015/16 P2 ADA of 7,282.
2) The Cost of Living Adjustment (COLA) is 0% with funding gap 54.84% applied to LCFF.

   Categorical Revenues are estimated at same level of funding as 2015/16.
3) Federal revenue loss is projected to be 8.2%, due to sequestration.
4) Lottery revenue is estimated to be $181 per ADA ($140/Unrestricted, $41/ Restricted).
5) Projected parcel tax income amount will be $1,764,429.

Expenditures are based on the following forecasts:

1) Certificated and Classified Salaries are adjusted for Step movements.
2) All position salaries are projected using FY 16/17 salary schedule except CSEA bargaining position. CSEA position salaries are projected using FY 15/16 salary schedule.
3) Classroom teacher staffing is based on projected enrollment. At K to 3 level it is 24:1 and grade 4 to 8 is 29.5:1.
4) School support staffing level will be same as FY 2015/16.

5) Worker's Compensation is estimated at 1.8689%.

6) Medical Insurance is estimated to have an overall increase of 3%.

7) $1,388,473 will be transferred to Retiree Benefits Fund (includes additional administrative costs) from G/F.

8) General Fund estimated contributions are as follows: Special Education at $7,822,945; Routine Maintenance at $2,250,000 (3%); Transportation at $863,934.

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 Assistant Superintendent, Business Services, at Berryessa Union School District, 1376 Piedmont Road, California 95132.

BASIC FINANCIAL STATEMENTS

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 61,857,728
Receivables	1,934,632
Prepaid expenses	156,234
Stores inventory	108,813
Non-depreciable capital assets (Note 4)	14,314,896
Depreciable capital assets, net of accumulated depreciation (Note 4)	72,607,543
Total assets	150,979,846
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 7 and 8)	5,554,052
LIABILITIES	
Accounts payable	7,673,373
Unearned revenue	162,368
Long-term liabilities (Note 5):	
Due within one year	6,237,041
Due after one year	147,514,973
Total liabilities	161,587,755
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 7 and 8)	5,482,000
NET POSITION	
Net investment in capital assets	32,176,537
Restricted:	
Legally restricted programs	3,300,415
Capital projects	1,385,052
Debt service	7,141,498
Unrestricted	(54,539,359)
Total net position	$ (10,535,857)

BERRYESSA UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	$ 52,341,191	$ -	$ 7,027,993	$ -	$ (45,313,198)
Instruction-related services:					
Supervision of instruction	2,856,770	-	576,146	-	(2,280,624)
Instructional library, media and technology	733,554	-	25,379	-	(708,175)
School site administration	5,587,507	-	216,492	-	(5,371,015)
Pupil services:					
Home-to-school transportation	733,374	-	-	-	(733,374)
Food services	2,819,461	1,139,857	1,170,533	-	(509,071)
All other pupil services	3,213,022	-	583,507	-	(2,629,515)
General administration:					
Data processing	1,093,145	-	-	-	(1,093,145)
All other general administration	3,984,723	56,676	210,289	-	(3,717,758)
Plant services	5,909,877	13	2,824	-	(5,907,040)
Ancillary services	16,929	-	330	-	(16,599)
Interest on long-term liabilities	3,489,848	-	-	-	(3,489,848)
Other outgo	481,651	-	1,084,559	-	602,908
Total governmental activities	$ 83,261,052	$ 1,196,546	$ 10,898,052	$ -	(71,166,454)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					29,996,508
Taxes levied for debt service					7,981,281
Taxes levied for other specific purposes					1,746,492
Federal and state aid not restricted to specific purposes					35,546,138
Interest and investment earnings					171,712
Miscellaneous					1,104,421
Total general revenues					76,546,552
Change in net position					5,380,098
Net position, July 1, 2015					(15,915,955)
Net position, June 30, 2016					$ (10,535,857)

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

BERRYESSA UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	$ 21,967,993	$ 30,161,680	$ 7,133,516	$ 2,169,539	$ 61,432,728
Cash on hand and in banks	-	-	-	10,000	10,000
Cash in revolving fund	25,000	-	-	360	25,360
Cash awaiting deposit	102,952	-	-	286,688	389,640
Receivables	1,535,311	62,704	7,982	328,635	1,934,632
Prepaid expenditures	154,650	-	-	1,584	156,234
Due from other funds	174,565	-	-	52,783	227,348
Stores inventory	45,859	-	-	62,954	108,813
Total assets	$ 24,006,330	$ 30,224,384	$ 7,141,498	$ 2,912,543	$ 64,284,755
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 1,688,528	$ 5,064,146	$ -	$ 4,452	$ 6,757,126
Unearned revenue	77,235	-	-	85,133	162,368
Due to other funds	58,286	874	-	168,188	227,348
Total liabilities	1,824,049	5,065,020	-	257,773	7,146,842
Fund balances:					
Nonspendable	225,509	-	-	64,898	290,407
Restricted	2,030,697	25,159,364	7,141,498	2,589,872	36,921,431
Assigned	1,126,505	-	-	-	1,126,505
Unassigned	18,799,570	-	-	-	18,799,570
Total fund balances	22,182,281	25,159,364	7,141,498	2,654,770	57,137,913
Total liabilities and fund balances	$ 24,006,330	$ 30,224,384	$ 7,141,498	$ 2,912,543	$ 64,284,755

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

Total fund balances - Governmental Funds		$ 57,137,913
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $157,561,090 and the accumulated depreciation is $70,638,651 (Note 4).		86,922,439
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2016 consisted of (Note 5):		
General Obligation Bonds	$ (61,918,031)	
Accreted interest	(10,496,067)	
Qualified Zone Academy Bonds	(5,758,469)	
Unamortized premiums	(1,636,451)	
Capitalized lease obligations	(96,248)	
Other post-employment benefits obligation (Note 9)	(17,541,541)	
Net pension liability (Notes 7 and 8)	(56,120,000)	
Compensated absences	(185,207)	
		(153,752,014)
In government 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 (Note 7 and 8).		
Deferred outflows of resources relating to pensions	5,554,052	
Deferred inflows of resources relating to pensions	(5,482,000)	
		72,052
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.		(916,247)
Total net position - governmental activities		$ (10,535,857)

BERRYESSA UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	$ 29,883,280	$ -	$ -	$ -	$ 29,883,280
Local sources	29,496,509	-	-	500,000	29,996,509
Total LCFF	59,379,789	-	-	500,000	59,879,789
Federal sources	3,029,293	-	-	1,403,647	4,432,940
Other state sources	8,990,551	-	69,045	82,088	9,141,684
Other local sources	5,092,152	239,243	7,929,442	1,273,887	14,534,724
Total revenues	76,491,785	239,243	7,998,487	3,259,622	87,989,137
Expenditures:					
Current:					
Certificated salaries	33,002,050	-	-	-	33,002,050
Classified salaries	9,153,908	199,673	-	1,036,244	10,389,825
Employee benefits	16,767,286	46,425	-	459,342	17,273,053
Books and supplies	2,302,568	267,077	-	1,002,730	3,572,375
Contract services and operating expenditures	6,394,085	402,937	-	113,920	6,910,942
Other outgo	480,901	-	-	-	480,901
Capital outlay	40,032	12,416,370	-	238,161	12,694,563
Debt service:					
Principal retirement	90,088	-	4,240,000	409,625	4,739,713
Interest	69,455	-	2,113,890	274,743	2,458,088
Total expenditures	68,300,373	13,332,482	6,353,890	3,534,765	91,521,510
Excess (deficiency) of revenues over (under) expenditures	8,191,412	(13,093,239)	1,644,597	(275,143)	(3,532,373)
Other financing (uses) sources:					
Transfers in	129,193	-	-	466,522	595,715
Transfers out	(466,522)	-	-	(129,193)	(595,715)
Proceeds from the issuance of capital lease obligations	16,074	-	-	-	16,074
Total other financing (uses) sources	(321,255)	-	-	337,329	16,074
Net change in fund balances	7,870,157	(13,093,239)	1,644,597	62,186	(3,516,299)
Fund balances, July 1, 2015	14,312,124	38,252,603	5,496,901	2,592,584	60,654,212
Fund balances, June 30, 2016	$ 22,182,281	$ 25,159,364	$ 7,141,498	$ 2,654,770	$ 57,137,913

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

BERRYESSA UNION SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Net change in fund balances - Total Governmental Funds		$ (3,516,299)
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	$ 13,610,675	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(5,300,811)	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	4,739,713	
Accreted interest is an expense that is not recorded in the governmental funds (Note 5).	(1,024,417)	
Proceeds from issuance of long-term debt are recognized as other financing sources in the governmental funds, but increases to long-term liabilities in the statement of net position (Note 5).	(16,074)	
Unmatured interest on long-term liabilities is not recorded in the governmental funds until it becomes due, but increases the liabilities in the statement of net position.	(73,153)	
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide financial statements debt issued at a premium is amortized as interest over the life of the debt (Note 5).	65,810	
In the statement of activities, expenses related to other postemployment benefits (OPEB) are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Notes 5 and 9).	(2,951,612)	
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 7 and 8).	(136,950)	
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	(16,784)	8,896,397
Change in net position of governmental activities		$ 5,380,098

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

BERRYESSA UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2016

	Trust Funds		Agency Funds
	Foundation	Retiree Benefits	Student Organizations
ASSETS			
Cash in County Treasury (Note 2)	$ 5,719	$ 1,926,160	$ -
Cash on hand and in banks (Note 2)	-	-	155,157
Receivables	12	1,344	-
Total assets	5,731	1,927,504	155,157
LIABILITIES			
Liabilities:			
Accounts payable	-	109	-
Due to student groups	-	-	155,157
Total liabilities	-	109	155,157
NET POSITION			
Net position - restricted (Note 6)	$ 5,731	$ 1,927,395	$ -

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

BERRYESSA UNION SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
TRUST FUNDS
For the Year Ended June 30, 2016

	Foundation	Retiree Benefits
Additions:		
Other local sources	$ 41	$ 1,395,038
Deductions:		
Contract services and operating expenditures	-	920,112
Change in net assets	41	474,926
Net position, July 1, 2015	5,690	1,452,469
Net position, June 30, 2016	$ 5,731	$ 1,927,395

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Berryessa Union School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity: The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District receives funding from local, state and federal governmental sources and must comply with all the requirements of these funding source entities.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and the Statement of Change in Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Government Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds

General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. For financial reporting purposes, the balance of the Special Reserve for Other than Capital Outlay Fund is included in the General Fund.

Building Fund:

The Building Fund is used to account for resources used for the acquisition or construction of major capital facilities and equipment.

Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the payment of principal and interest related to the General Obligation Bonds.

B - Other Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Deferred Maintenance and Cafeteria Funds.

Capital Projects Funds are used to account for resources used for the acquisition or construction of major capital facilities and equipment. This classification includes the Capital Facilities and Special Reserve for Capital Outlay Funds.

Trust Funds are used to account for assets held by the District as Trustee. The District maintains two trust funds, the Foundation Trust Fund and the Retiree Benefits Trust Fund.

The Agency Fund is used to account for the various funds for which the District acts as an agent. This classification consists of the Student Body Account.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrual: Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

Receivables: Receivables are made up principally of amounts due from the State of California and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2016.

Stores Inventory: Inventory recorded in the General and Cafeteria Funds are valued at average cost and consists mainly of consumable supplies. Inventories are recorded as expenditures at the time items are transferred from the warehouse to the schools and offices.

Capital Assets: Capital assets purchased or acquired, with an original cost of $5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 40 years depending on asset types.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes 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(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the statement of net position. Amortization for the year ended June 30, 2016 totaled $2,181,088.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position. Amortization for the year ended June 30, 2016 totaled $226,000.

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 State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP an PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Substantially all investments are reported at fair value.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is a summary of pension amounts in aggregate as of June 30, 2016:

	STRP	PERF B	Total
Deferred outflows of resources	$ 3,393,173	$ 2,160,879	$ 5,554,052
Deferred inflows of resources	$ 4,351,000	$ 1,131,000	$ 5,482,000
Net pension liability	$ 44,302,000	$ 11,818,000	$ 56,120,000
Pension expense	$ 6,091,106	$ 1,247,817	$ 7,338,923

Compensated Absences: Compensated absences benefits totaling $185,207 are recorded as a liability of the District. The liability is for the earned but unused benefits.

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

Unearned Revenue: Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

Net Position: Net position is displayed in three components:

1 - Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2 - Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to those specific program expenditures. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for capital projects represents the portion of net position restricted for capital projects. It is the District's policy to use restricted net position first when allowable expenditures are incurred.

3 - Unrestricted Net Position - All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

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. These are the same restrictions used to determine restricted net position as reported in the government-wide and fiduciary trust fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. 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. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2016, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel within the District to assign fund balances, however, as of June 30, 2016, no such designation has occurred.

E - Unassigned Fund Balance:

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.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2016, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Custodial Relationships: The Agency Fund represents the assets and liabilities of various student organizations within the District. As the funds are custodial in nature, no measurement of operating results is involved.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Santa Clara bills and collects taxes for the District. Tax revenues are recognized by the District when received.

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

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2016 consisted of the following:

	Governmental Activities	Fiduciary Activities
Pooled Funds:		
Cash in County Treasury	$ 61,432,728	$ 1,931,879
Deposits:		
Cash on hand and in banks	10,000	155,157
Cash in revolving fund	25,360	-
Cash awaiting deposit	389,640	-
Total	$ 61,857,728	$ 2,087,036

(Continued)

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

Deposits - Custodial Credit Risk

Governmental Activities

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2016, the carrying amount of the District's accounts was $35,360, and the bank balances were $41,055, all of which was covered by FDIC insurance.

Fiduciary Activities

At June 30, 2016, the carrying amount of the student body accounts was $155,157, and the bank balances were $166,789, all of which was covered by FDIC insurance.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2016, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2016, the District had no concentration of credit risk.

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual fund interfund receivable and payable balances at June 30, 2016 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	$ 174,565	$ 58,286
Building	-	874
Non-Major Funds		
Cafeteria	6,929	166,708
Capital Facilities	-	1,480
Special Reserve for Capital Outlay	45,854	-
Totals	$ 227,348	$ 227,348

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

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

Transfer from the General Fund to the Special Reserve for Capital Outlay Fund to support debt service payments.	$ 466,522
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	129,193
	$ 595,715

(Continued)

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2016 is shown below:

	Balance July 1, 2015	Transfers and Additions	Transfers and Deletions	Balance June 30, 2016
Non-depreciable:				
Land	$ 2,523,593	$ -	$ -	$ 2,523,593
Construction in progress	1,599,218	13,311,987	(3,119,902)	11,791,303
Depreciable:				
Improvement to sites	41,326,940	3,027,588	-	44,354,528
Buildings	96,430,430	-	-	96,430,430
Equipment	2,070,234	391,002	-	2,461,236
Totals, at cost	143,950,415	16,730,577	(3,119,902)	157,561,090
Less accumulated depreciation:				
Improvement to sites	(11,705,359)	(2,142,037)	-	(13,847,396)
Buildings	(52,085,463)	(2,997,108)	-	(55,082,571)
Equipment	(1,547,018)	(161,666)	-	(1,708,684)
Total accumulated depreciation	(65,337,840)	(5,300,811)	-	(70,638,651)
Capital assets, net	$ 78,612,575	$ 11,429,766	$ (3,119,902)	$ 86,922,439

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 3,977,779
Supervision of instruction	214,422
Instructional library, media and technology	57,532
School site administration	428,697
Home-to-school transportation	57,440
Food services	228,131
Data processing	88,752
All other general administration	248,058
Total depreciation expense	$ 5,300,811

(Continued)

NOTE 5 - LONG-TERM LIABILITIES

General Obligation Bonds: On June 1, 2000, the District issued 1999 Series A General Obligation Bonds in the amount of $11,998,182 for the renovation and improvement of school facilities. The bonds have an interest rate of 4.35% to 6.20% and are scheduled to mature through February 2025.

The 1999 Series A General Obligation Bonds are scheduled to mature as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 343,430	$ 816,570	$ 1,160,000
2022-2025	1,534,752	4,725,248	6,260,000
Totals	$ 1,878,182	$ 5,541,818	$ 7,420,000

On July 1, 2001, the District issued 1999 Series B General Obligation Bonds in the amount of $17,999,707 for the renovation of school facilities. The bonds have an interest rate of 4.0% to 5.63% and are scheduled to mature through August 2026.

The 1999 Series B General Obligation Bonds are scheduled to mature as follows:

Year Ending June 30,	Principal	Interest	Total
2022-2026	$ 2,555,376	$ 6,089,624	$ 8,645,000
2027	464,330	1,395,670	1,860,000
Totals	$ 3,019,706	$ 7,485,294	$ 10,505,000

On June 3, 2003, the District issued 1999 Series C General Obligation Bonds in the amount of $18,000,142 for the renovation of school facilities. The bonds have an interest rate of 2.0% to 5.26% and are scheduled to mature through February 2028.

The 1999 Series C General Obligation Bonds are scheduled to mature as follows:

Year Ending June 30,	Principal	Interest	Total
2022-2026	$ 2,213,380	$ 4,076,620	$ 6,290,000
2027-2028	1,476,762	3,668,238	5,145,000
Totals	$ 3,690,142	$ 7,744,858	$ 11,435,000

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

On May 30, 2006, the District issued 2006 General Obligation Refunding Bonds in the amount of $22,415,000 for the purposes of refunding prior general obligation bond issuances. The 2006 issuance refunded $7,085,000, $6,480,000 and 7,035,000 of the 1999 Series A, 1999 Series B, and 1999 Series C General Obligation Bonds respectively. The refunding bonds have an interest rate of 4.0% to 5.38% and are scheduled to mature through August 2018.

The 2006 General Obligation Refunding Bonds are scheduled to mature as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 3,590,000	$ 545,981	$ 4,135,981
2018	5,185,000	325,859	5,510,859
2019	3,470,000	93,257	3,563,257
Totals	$ 12,245,000	$ 965,097	$ 13,210,097

On June 16, 2011, the District issued 2011 General Obligation Refunding Bonds in the amount of $6,385,000 for the purposes of refunding prior general obligation bond issuances. The 2011 issuance refunded $3,740,000 and $2,490,000 of the 1999 Series B and 1999 Series C General Obligation Bonds, respectively. The 1999 Series B and 1999 Series C bonds were repaid through the District's Building Fund. These amounts were paid to the Escrow Agent and are considered to be defeased, and the obligations have been removed from the District's financial statements. The refunding bonds bear interest at rates ranging from 2.00% to 2.50% and are scheduled to mature through August 2016.

The 2011 General Obligation Refunding Bonds are scheduled to mature as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 1,085,000	$ 13,563	$ 1,098,563

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

On February 26, 2014, the District issued Series A, 2014 General Obligation Bonds in the amount of $40,000,000 for the purposes of repairing, upgrading, acquiring, constructing, and equipping District property and facilities. The bonds have an interest rate of 3.125% to 5.0% and are scheduled to mature through August 2044.

The 2014 General Obligation Bonds are scheduled to mature as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 1,000,000	$ 1,520,113	$ 2,520,113
2018	1,350,000	1,461,363	2,811,363
2019		1,427,613	1,427,613
2020	-	1,427,613	1,427,613
2021	-	1,427,613	1,427,613
2022-2026	1,225,000	7,062,438	8,287,438
2027-2031	5,825,000	6,207,438	12,032,438
2032-2036	8,800,000	4,551,813	13,351,813
2037-2041	11,700,000	2,814,406	14,514,406
2042-2045	10,100,000	715,750	10,815,750
Totals	$ 40,000,000	$ 28,616,160	$ 68,616,160

Qualified Zone Academy Bonds: In May 2011, the District issued a Qualified Zone Academy Bond (QZAB) in the amount of $8,000,000. The QZAB is scheduled to mature in August 2027, and the unpaid principal balance was as $5,758,469 as of June 30, 2016.

The Qualified Zone Academy Bonds are scheduled to mature as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 459,123	$ 312,383	$ 771,506
2018	462,796	286,339	749,135
2019	466,498	260,087	726,585
2020	470,230	233,624	703,854
2021	473,992	206,950	680,942
2022-2026	2,427,448	627,106	3,054,554
2027-2028	998,382	56,521	1,054,903
Totals	$ 5,758,469	$ 1,983,010	$ 7,741,479

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Capitalized Lease Obligations: The District leases various vehicles and office equipment under capital lease agreements, and also leases modular buildings from the City of San Jose to provide child care services. The District has included in equipment, capital assets which were acquired under capitalized lease obligations. As of June 30, 2016, these capital assets had a historical cost of $221,449 and accumulated depreciation of $124,428.

Future yearly payments on capitalized lease obligations are as follows:

Year Ending June 30,	
2017	$ 40,613
2018	34,320
2019	15,443
2020	12,508
2021	2,095
Total payments	104,979
Less amount representing interest	(8,731)
Net present value of minimum payments	$ 96,248

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Amounts Due Within One Year
General Obligation Bonds	$ 66,158,031	$ -	$ 4,240,000	$ 61,918,031	$ 5,675,000
Accreted interest	9,471,650	1,024,417	-	10,496,067	-
QZAB	6,213,948	-	455,479	5,758,469	459,123
Unamortized premiums	1,702,261	-	65,810	1,636,451	66,815
Capitalized lease obligations	124,408	16,074	44,234	96,248	36,103
Other postemployment benefits (Note 9)	14,589,929	3,871,724	920,112	17,541,541	-
Net pension liability (Notes 7 & 8)	47,015,000	9,105,000	-	56,120,000	-
Compensated absences	168,423	16,784	-	185,207	-
Totals	$ 145,443,650	$ 14,033,999	$ 5,725,635	$ 153,752,014	$ 6,237,041

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the QZAB and capitalized lease obligations are made from the General and Special Reserve for Capital Outlay Funds. Payments related to compensated absences, net pension liability and other postemployment benefits are made from the fund for which the related employee worked.

(Continued)

NOTE 6 - FUND BALANCES

Fund balances, by category, at June 30, 2016 consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	$ 25,000	$ -	$ -	$ 360	$ 25,360
Prepaid expenditures	154,650	-	-	1,584	156,234
Stores inventory	45,859	-	-	62,954	108,813
Subtotal nonspendable	225,509	-	-	64,898	290,407
Restricted:					
Legally restricted programs	2,030,697	-	-	1,204,820	3,235,517
Capital projects	-	25,159,364	-	1,385,052	26,544,416
Debt service	-	-	7,141,498	-	7,141,498
Subtotal restricted	2,030,697	25,159,364	7,141,498	2,589,872	36,921,431
Assigned:					
Unrestricted carry-over	146,202	-	-	-	146,202
District reserves	980,303	-	-	-	980,303
Subtotal assigned	1,126,505	-	-	-	1,126,505
Unassigned:					
Designated for economic uncertainty	2,117,640	-	-	-	2,117,640
Undesignated	16,681,930	-	-	-	16,681,930
Subtotal unassigned	18,799,570	-	-	-	18,799,570
Total fund balances	$ 22,182,281	$ 25,159,364	$ 7,141,498	$ 2,654,770	$ 57,137,913

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com/comprehensive-annual-financial-report.

Benefits Provided: The STRP Defined Benefit Program 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.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

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.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (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.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 9.20 percent of applicable member earnings for fiscal year 2015-16. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.56 percent of applicable member earnings for fiscal year 2015-16.

In general, member contributions cannot increase unless members are provided with some type of “comparable advantage” in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this “comparable advantage,” the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 10.73 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2015-16 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed $3,393,173 to the plan for the fiscal year ended June 30, 2016.

State - 7.391 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed $200.7 million of the $267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of $66.9 million was included in an increased first quarter payment of $94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-2047.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2015-16 and beyond are summarized in the table below:

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding	Total State Appropriation to DB Program
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.571%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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	$ 44,302,000
State's proportionate share of the net pension liability associated with the District	23,431,000
Total	$ 67,733,000

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 an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2015, the District's proportion was 0.066 percent, which was an increase of zero from its proportion measured as of June 30, 2014.

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

For the year ended June 30, 2016, the District recognized pension expense of $6,091,106 and revenue of $2,322,921 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 740,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	3,611,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	3,393,173	-
Total	$ 3,393,173	$ 4,351,000

$3,393,173 reported as deferred outflows of resources related to pensions resulting from 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:

Years Ended June 30,	
2017	$ (1,617,533)
2018	$ (1,617,533)
2019	$ (1,617,534)
2020	$ 749,600
2021	$ (123,000)
2022	$ (125,000)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2015 valuation date. Deferred outflows and inflows related to differences between projected and actual earrings on plan investments are netted and amortized over a closed 5-year period.

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally 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:

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

* 10-year geometric average

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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 increase per Assembly Bill 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 STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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	$ 66,892,000	$ 44,302,000	$ 25,527,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The District's cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at https://www.calpers.ca.gov/docs/forms-publications/cafr-2015.pdf

Benefits Provided: The benefits for the defined benefit plans 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 (10 years for State Second Tier members) of credited service.

(Continued)

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2016 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2015-16.

Employers - The employer contribution rate was 11.847 percent of applicable member earnings.

The District contributed $1,484,879 to the plan for the fiscal 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 $11,818,000 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 an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2015, the District's proportion was 0.080 percent, which was an increase of 0.002 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of $1,247,817. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 676,000	$ -
Changes of assumptions	-	726,000
Net differences between projected and actual earnings on investments	-	405,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	1,484,879	-
Total	$ 2,160,879	$ 1,131,000

(Continued)

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

$1,484,879 reported as deferred outflows of resources related to pensions resulting from 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:

Years Ended June 30,		
2017	$	(118,250)
2018	$	(118,250)
2019	$	(118,250)
2020	$	(100,250)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

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

All other 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, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

(Continued)

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (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.

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return
Global Equity	51%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	2	(0.55)

* 10-year geometric average

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 Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

The discount rate was 7.50 and 7.65 percent in the June 30, 2013 and June 30, 2014 actuarial reports, respectively.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. 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 Plan's 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. 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.

(Continued)

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (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 7.65 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:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	$ 19,235,000	$ 11,818,000	$ 5,650,000

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

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 7 and 8, the District provides other postemployment benefits (OPEB) to eligible certificated and classified employees who retire from the District under a single-employer defined benefit OPEB plan.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	$ 4,219,476
Interest on net OPEB obligation	720,448
Adjustment to annual required contribution	(1,068,200)
Annual OPEB cost (expense)	3,871,724
Contributions made	(920,112)
Increase in net OPEB obligation	2,951,612
Net OPEB obligation - beginning of year	14,589,929
Net OPEB obligation - end of year	$ 17,541,541

(Continued)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's 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 preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	$ 3,479,167	33.95%	$ 11,942,440
June 30, 2015	$ 3,671,099	27.88%	$ 14,589,929
June 30, 2016	$ 3,871,724	23.76%	$ 17,541,541

As of July 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $32,407,831, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $32,407,831. The covered payroll (annual payroll of active employees covered by the Plan) was $41,654,753, and the ratio of the UAAL to the covered payroll was 78 percent. The OPEB plan does not issue stand-alone financial statements.

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

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 July 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5 percent investment rate (net of administrative expenses). 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 24 years.

See required supplementary information following the notes to the basic financial statements, which presents multi-year trend information on the OPEB plan's actuarially determined liabilities.

(Continued)

NOTE 10 - JOINT POWERS AUTHORITIES

The District is a member with other school districts in three joint powers agencies for common risk management and insurance related to workers' compensation, property/liability and health care, South Bay Area Schools Insurance Authority (SBASIA), Santa Clara County School Insurance Group (SCCSIG) and Schools Excess Liability Fund (SELF). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The District is also a member with other school districts in East Valley Schools Transportation Agency (EVSTA), a joint powers authority that provides bus services to member districts. There have been no significant reductions in the level of insurance coverage from the prior year. The relationship between the District and the Joint Powers Authorities is such that the Joint Powers Authorities are not component units of the District for financial reporting purposes.

The following is a summary of financial information of SBASIA, SCCSIG, SELF and EVSTA at June 30, 2015, the most current information available:

	SBASIA	SCCSIG	SELF	EVSTA
Total assets	$ 5,653,861	$ 17,833,668	$ 154,826,708	$ 326,284
Total liabilities	$ 3,071,170	$ 5,766,360	$ 122,637,079	$ 57,260
Total revenues	$ 3,466,746	$ 31,396,777	$ 11,968,752	$ 2,416,501
Total expenditures	$ 3,628,756	$ 29,086,940	$ 23,063,637	$ 2,416,501
Change in net position	$ (162,010)	$ 2,309,837	$ (11,094,885)	$ -
Net position	$ 2,582,691	$ 12,067,308	$ 32,189,629	$ 269,024

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

Also, the District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the District's financial position or results of operations.

At June 30, 2016, the District had commitments for capital construction projects totaling approximately $11.3 million.

REQUIRED SUPPLEMENTARY INFORMATION

BERRYESSA UNION SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2016

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	$ 31,674,542	$ 29,481,199	$ 29,883,280	$ 402,081
Local sources	26,881,998	29,208,512	29,496,509	287,997
Total LCFF	58,556,540	58,689,711	59,379,789	690,078
Federal sources	2,908,093	3,229,747	3,029,293	(200,454)
Other state sources	6,481,673	8,200,870	8,990,551	789,681
Other local sources	3,998,822	4,776,294	5,092,152	315,858
Total revenues	71,945,128	74,896,622	76,491,785	1,595,163
Expenditures:				
Current:				
Certificated salaries	33,366,139	33,053,061	33,002,050	51,011
Classified salaries	9,184,975	9,350,221	9,153,908	196,313
Employee benefits	14,904,369	16,564,408	16,767,286	(202,878)
Books and supplies	2,832,800	5,126,704	2,302,568	2,824,136
Contract services and operating expenditures	6,880,107	7,227,016	6,394,085	832,931
Other outgo	224,697	139,709	480,901	(341,192)
Capital outlay	-	-	40,032	(40,032)
Debt service:				
Principal retirement	-	-	90,088	(90,088)
Interest	63,478	-	69,455	(69,455)
Total expenditures	67,456,565	71,461,119	68,300,373	3,160,746
Excess of revenues over expenditures	4,488,563	3,435,503	8,191,412	4,755,909
Other financing (uses) sources:				
Transfers in	650,000	500,000	129,193	(370,807)
Transfers out	(966,522)	(968,022)	(466,522)	501,500
Proceeds from the issuance of capitalized lease obligations	-	-	16,074	16,074
Total other financing (uses) sources	(316,522)	(468,022)	(321,255)	146,767
Net change in fund balance	4,172,041	2,967,481	7,870,157	4,902,676
Fund balance, July 1, 2015	14,312,124	14,312,124	14,312,124	-
Fund balance, June 30, 2016	$ 18,484,165	$ 17,279,605	$ 22,182,281	$ 4,902,676

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2010	$ -	$26.2 million	$26.2 million	0%	$35.6 million	74%
July 1, 2012	$ -	$29.9 million	$29.9 million	0%	$35.9 million	83%
July 1, 2014	$ -	$32.4 million	$32.4 million	0%	$41.7 million	78%

Only three years of actuarial valuation data is provided because the District has only had three valuations performed.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016
District's proportion of the net pension liability	0.065%	0.066%
District's proportionate share of the net pension liability	$ 38,192,000	$ 44,302,000
State's proportionate share of the net pension liability associated with the District	23,062,000	23,431,000
Total net pension liability	$ 61,254,000	$ 67,733,000
District's covered-employee payroll	$ 29,110,000	$ 30,543,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%	145.05%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016
District's proportion of the net pension liability	0.078%	0.080%
District's proportionate share of the net pension liability	$ 8,823,000	$ 11,818,000
District's covered-employee payroll	$ 8,159,000	$ 8,876,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.14%	133.15%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016
Contractually required contribution	$ 2,712,184	$ 3,393,173
Contributions in relation to the contractually required contribution	$ 2,712,184	$ 3,393,173
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 30,543,000	$ 31,623,000
Contributions as a percentage of covered-employee payroll	8.88%	10.73%

All years prior to 2015 are not available.

(Continued)

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016
Contractually required contribution	$ 1,044,818	$ 1,484,879
Contributions in relation to the contractually required contribution	$ 1,044,818	$ 1,484,879
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 8,876,000	$ 12,534,000
Contributions as a percentage of covered-employee payroll	11.771%	11.847%

All years prior to 2015 are not available.

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

Excess of expenditures over appropriations for the year ended June 30, 2016 were as follows:

General Fund	Excess Expenditures
Employee benefits	$ 202,878

B - Schedule of Other Postemployment Benefits Funding Progress

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

C - Schedule of the District's Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D – Schedule of the District's Contributions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E – Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50 and 7.65 percent in the June 30, 2013 and June 30, 2014 actuarial reports, respectively. There are no changes in assumptions reported for the State Teachers' Retirement Plan.

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2016

	Deferred Maintenance Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Total
ASSETS					
Cash in County Treasury	$ 688,809	$ 422,108	$ 981,707	$ 76,915	$ 2,169,539
Cash on hand and in banks	-	10,000	-	-	10,000
Cash in revolving fund	-	360	-	-	360
Cash awaiting deposit	-	283,459	3,229	-	286,688
Receivables	1,405	46,859	1,991	278,380	328,635
Prepaid expenditures	-	1,584	-	-	1,584
Due from other funds	-	6,929	-	45,854	52,783
Stores inventory	-	62,954	-	-	62,954
Total assets	$ 690,214	$ 834,253	$ 986,927	$ 401,149	$ 2,912,543
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ -	$ 2,908	$ 1,544	$ -	$ 4,452
Unearned revenue	-	85,133	-	-	85,133
Due to other funds	-	166,708	1,480	-	168,188
Total liabilities	-	254,749	3,024	-	257,773
Fund balances:					
Nonspendable	-	64,898	-	-	64,898
Restricted	690,214	514,606	983,903	401,149	2,589,872
Total fund balances	690,214	579,504	983,903	401,149	2,654,770
Total liabilities and fund balances	$ 690,214	$ 834,253	$ 986,927	$ 401,149	$ 2,912,543

BERRYESSA UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2016

	Deferred Maintenance Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Total
Revenues					
LCFF sources	$ 500,000	$ -	$ -	$ -	$ 500,000
Federal sources	-	1,133,812	-	269,835	1,403,647
Other state sources	-	82,088	-	-	82,088
Other local sources	4,411	1,209,398	59,514	564	1,273,887
Total revenues	504,411	2,425,298	59,514	270,399	3,259,622
Expenditures:					
Current:					
Classified salaries	-	1,034,764	1,480	-	1,036,244
Employee benefits	-	459,342	-	-	459,342
Books and supplies	-	961,827	-	40,903	1,002,730
Contract services and operating expenditures	-	72,307	21,302	20,311	113,920
Capital outlay	9,250	70,111	-	158,800	238,161
Debt service:					
Principal retirement	-	-	-	409,625	409,625
Interest	-	-	-	274,743	274,743
Total expenditures	9,250	2,598,351	22,782	904,382	3,534,765
Excess (deficiency) of revenues over (under) expenditures	495,161	(173,053)	36,732	(633,983)	(275,143)
Other financing (uses) sources:					
Transfers in	-	-	-	466,522	466,522
Transfers out	-	(129,193)	-	-	(129,193)
Total other financing (uses) sources	-	(129,193)	-	466,522	337,329
Net change in fund balances	495,161	(302,246)	36,732	(167,461)	62,186
Fund balances, July 1, 2015	195,053	881,750	947,171	568,610	2,592,584
Fund balances, June 30, 2016	$ 690,214	$ 579,504	$ 983,903	$ 401,149	$ 2,654,770

BERRYESSA UNION SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
STUDENT BODY ACCOUNTS				
Sierramont Middle School				
Assets:				
Cash on hand and in banks	$ 42,287	$ 173,681	$ 159,571	$ 56,397
Liabilities:				
Due to student groups	$ 42,287	$ 173,681	$ 159,571	$ 56,397
Piedmont Middle School				
Assets:				
Cash on hand and in banks	$ 65,927	$ 134,436	$ 140,566	$ 59,797
Liabilities:				
Due to student groups	$ 65,927	$ 134,436	$ 140,566	$ 59,797
Morrill Middle School				
Assets:				
Cash on hand and in banks	$ 44,055	$ 93,510	$ 98,602	$ 38,963
Liabilities:				
Due to student groups	$ 44,055	$ 93,510	$ 98,602	$ 38,963
Total Student Body Account				
Assets:				
Cash on hand and in banks	$ 152,269	$ 401,627	$ 398,739	$ 155,157
Liabilities:				
Due to student groups	$ 152,269	$ 401,627	$ 398,739	$ 155,157

Berryessa Union School District was established in 1855. The District is a political subdivision of the State of California. The District is located in the city of San Jose in Santa Clara County and is comprised of an area of approximately 12 square miles. The District currently operates ten elementary schools and three middle schools. There were no changes in the boundaries of the District during the year.

The Board of Education of Berryessa Union School District is composed of five members elected at large within the boundaries of the District. The Board and Administrative Staff manage and control the affairs of the District.

GOVERNING BOARD

Name	Office	Term Expires
David Cohen	President	November 2018
Thelma Boac	Vice President	November 2018
Hugo Jimenez	Clerk	November 2018
Khoa Nguyen	Member	November 2016
Richard Claspill	Member	November 2016

ADMINISTRATION

Will H. Ector Jr.
Superintendent

Douglas Staine, Ed.D.
Assistant Superintendent - Human Resources

Phuong Le
Deputy Superintendent - Administrative Services

Joseph M. McCreary, Ed. D.
Assistant Superintendent - Education Services

SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2016

	Second Period Report	Annual Report
Elementary:		
Transitional Kindergarten through Third	3,066	3,062
Fourth through Sixth	2,423	2,421
Seventh through Eighth	1,735	1,731
Special Education	20	20
Total	7,244	7,234

See accompanying notes to supplementary information.

BERRYESSA UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2016

Grade Level	Statutory 1986-87 Minutes Requirement	June 30, 2016 Actual Minutes	Number of Days Traditional Calendar	Status
DISTRICT				
Kindergarten	36,000	41,375	180	In Compliance
Grade 1	50,400	51,060	180	In Compliance
Grade 2	50,400	51,060	180	In Compliance
Grade 3	50,400	51,060	180	In Compliance
Grade 4	54,000	54,590	180	In Compliance
Grade 5	54,000	54,590	180	In Compliance
Grade 6	54,000	55,912	180	In Compliance
Grade 7	54,000	55,912	180	In Compliance
Grade 8	54,000	55,912	180	In Compliance

See accompanying notes to supplementary information.

BERRYESSA UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Education - Passed through California Department of Education			
	Special Education Cluster:		
84.027	Special Education IDEA, Basic Local Assistance Entitlement, Part B, Section 611	13379	$ 1,203,948
84.027	Special Education IDEA, Local Assistance Part B, Sec 611, Private School ISPs	10115	29,482
84.027	Special Ed: IDEA Mental Health Services, Part B, Sec 611	14468	36,049
84.027A	Special Education IDEA, Preschool Local Entitlement	13682	65,068
84.173	Special Education IDEA, Preschool Grants, Part B, Section 619 (Age 3-4-5)	13430	85,932
84.173A	Special Education IDEA, Preschool Staff Development	13431	396
	Subtotal Special Education Cluster		1,420,875
	NCLB: Title III Programs:		
84.365	NCLB: Title III, Immigrant Education Program	14346	30,050
84.365	NCLB: Title III, Limited English Proficiency	14203	326,085
	Subtotal NCLB: Title III Programs		356,135
84.010	NCLB: Title I, Part A Basic Grants Low Income and Neglected	14329	888,523
84.367	NCLB: Title II, Part A, Improving Teacher Quality	14341	245,250
	Total U.S. Department of Education		2,910,783
U.S. Department of Health and Human Services - Passed through California Department of Education			
93.778	Medi-Cal Billing Option	10013	193,959
U.S. Department of Agriculture - Passed through California Department of Education			
10.555	Child Nutrition: School Programs	13390	1,133,812
	Total Federal Programs		$ 4,238,554

(Continued)

There were no adjustments proposed to any funds of the District.

	(Budgeted) 2017	2016	2015	2014
General Fund				
Revenues and other financing sources	$ 73,252,857	$ 76,637,052	$ 66,725,249	$ 61,403,059
Expenditures	75,152,859	68,300,373	65,714,114	59,953,015
Other uses and transfers out	530,000	466,522	847,828	1,895,000
Total outgo	75,682,859	68,766,895	66,561,942	61,848,015
Change in fund balance	$ (2,430,002)	$ 7,870,157	$ 163,307	$ (444,956)
Ending fund balance	$ 19,752,279	$ 22,182,281	$ 14,312,124	$ 14,148,817
Available reserves	$ 17,152,802	$ 18,799,570	$ 11,127,714	$ 10,738,685
Designated for economic uncertainties	$ 2,266,671	$ 2,117,640	$ 2,007,605	$ 1,851,535
Undesignated fund balances	$ 14,886,131	$ 16,681,930	$ 9,120,109	$ 8,887,150
Available reserves as percentages of total outgo	22.66%	27.34%	16.72%	17.41%
Total long-term liabilities	$147,514,973	$153,752,014	$145,443,650	$ 57,934,902
Average daily attendance at P-2	6,993	7,244	7,554	7,743

The General Fund fund balance has increased by $7,588,508 over the past three years. The fiscal year 2016-2017 budget, as originally adopted, projects a decrease of $2,430,002. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. The District has met this requirement.

The District has incurred operating surpluses in two of the past three years, and anticipates an operating deficit during the 2016-2017 fiscal year.

Total long-term liabilities have increased by $95,817,112 over the past two years, primarily due to the issuance of General Obligation Bonds and the implementation of GASB Statements No. 68 and 71.

Average daily attendance has decreased by 499 over the past two years. A decrease of 251 ADA is anticipated during fiscal year 2016-2017.

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report

There are no charter schools in the District.

See accompanying notes to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. 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 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Berryessa Union School District, and is presented on the 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)*. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed in the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2016.

Description	CFDA Number	Amount
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		$ 4,432,940
Less: Funds received in excess of expenditures		
Medi-Cal Billing Funds spent from prior year awards	93.778	75,449
Federal reimbursement of interest paid for QZAB	*	(269,835)
Total Schedule of Expenditure of Federal Awards		$ 4,238,554

* CFDA Number not available.

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides trend information on fund balances, revenues, expenditures and average daily attendance, as required by the State Controller's Office. The information in this schedule was derived from audited information.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14503 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2016, the District did not adopt this program.

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

Board of Education
Berryessa Union School District
San Jose, California

Report on Compliance with State Laws and Regulations

We have audited Berryessa Union School District's compliance with the types of compliance requirements described in the State of California's 2015-16 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2016:

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General requirements	Yes
After school	Yes
Before school	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No, see below
Immunizations	No, see below
Attendance, for charter schools	No, see below
Mode of Instruction, for charter schools	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	No, see below
Charter School Facility Grant Program	No, see below

We did not perform any procedures related to Independent Study because the ADA reported was below the level required for testing.

(Continued)

We did not perform any procedures related to Continuation Education because the District does not offer this program.

The District did not offer an Early Retirement Incentive Program; therefore, we did not perform steps a through d.

The District does not have any Juvenile Court Schools or Middle or Early College High Schools, therefore, we did not perform any procedures related to Juvenile Court Schools or Middle or Early College High Schools.

We did not perform any procedures related to After School Education and Safety Program for Before School, because the District does not offer this program.

The District did not report any ADA for Independent Study - Course Based; therefore, we did not perform any testing over this program.

The District submit all required immunization assessment reports to the California Department of Public Health; therefore, we did not perform any procedures related to Immunizations.

The District does not have any Charter Schools, therefore, we did not perform any of the procedures required for charter schools.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on Berryessa Union School District's compliance with state laws and regulations as listed 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 State of California's *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance compliance requirements referred to above that could have a material effect on Berryessa Union School District compliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Berryessa Union 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 state laws and regulations. However, our audit does not provide a legal determination of Berryessa Union School District's compliance.

Opinion on Compliance with State Laws and Regulations

In our opinion, Berryessa Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2016.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *State of California's 2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 7, 2016

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

Board of Education
Berryessa Union School District
San Jose, 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 Berryessa Union School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Berryessa Union School District's basic financial statements, and have issued our report thereon dated November 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Berryessa Union 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 Berryessa Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Berryessa Union School District's internal control.

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

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Berryessa Union 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 7, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education
Berryessa Union School District
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited Berryessa Union School District's compliance with the types of compliance requirements described in the Compliance Supplement that could have a direct and material effect on each of Berryessa Union School District's major federal programs for the year ended June 30, 2016. Berryessa Union 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 statues, 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 Berryessa Union 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 Berryessa Union 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 Berryessa Union School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Berryessa Union 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.

(Continued)

Report on Internal Control Over Compliance

Management of Berryessa Union 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 Berryessa Union 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 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 Berryessa Union 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 7, 2016

FINDINGS AND RECOMMENDATIONS

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	__X__ None reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	__X__ None reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______ Yes	__X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555	Child Nutrition: School Programs

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?	__X__ Yes	______ No

STATE AWARDS

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

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

Finding/Recommendation	Current Status	District Explanation If Not Implemented

No matters were reported.