

CYPRESS SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2016



CYPRESS SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2016
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Financial Section

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INDEPENDENT AUDITORS' REPORT

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

Management's Responsibility for the Financial Statements

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

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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 Cypress School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

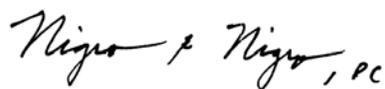
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, budgetary comparison information on page 46, schedule of funding progress on page 47, schedule of proportionate share of the net pension liability on page 48, and schedule of contributions on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 53 to 56 and the schedule of expenditures of federal awards on page 57 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 52 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
December 5, 2016

CYPRESS SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) For the Fiscal Year Ended June 30, 2016

This discussion and analysis of Cypress School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's overall financial status improved from last year, as the net position increased to \$8.9 million. The increase is primarily due to property exchanges the District completed. The exchanged property was previously recorded at its historical cost. Due to the exchange, the new property is recorded at its fair market value in accordance with generally accepted accounting principles.
- Total governmental revenues were \$65.5 million, about \$23.3 million more than expenses.
- The total cost of basic programs was \$42.1 million. Because a portion of these costs were paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was only \$34.7 million.
- Second period average daily attendance (grades K-6) decreased by 38, or 1.0%.

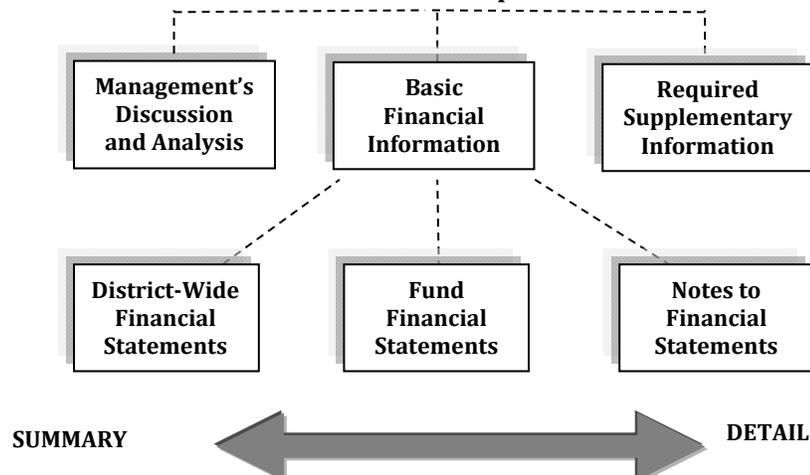
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the proprietary funds statements.

Figure A-1. Organization of Cypress School District's Annual Financial Report

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



CYPRESS SCHOOL DISTRICT

*Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016*

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Fund
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses & Changes in Fund Balance • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The district's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

CYPRESS SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

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

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that is properly using certain revenues.

The District has three kinds of funds:

- **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- **Proprietary funds** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provides more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for dental and vision insurance claims.

CYPRESS SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) For the Fiscal Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2016, than it was the year before – increasing 161.0% to \$8.9 million (See Table A-1).

Table A-1

	Governmental Activities		Variance
	2016	2015	Increase (Decrease)
Current assets	\$ 25,410,013	\$ 30,888,301	\$ (5,478,288)
Capital assets	73,764,886	43,544,119	30,220,767
Total assets	99,174,899	74,432,420	24,742,479
Total deferred outflows	5,561,426	1,920,019	3,641,407
Current liabilities	3,864,703	3,552,252	312,451
Long-term liabilities	88,090,288	80,672,786	7,417,502
Total liabilities	91,954,991	84,225,038	7,729,953
Total deferred inflows	3,910,141	6,572,754	(2,662,613)
Net position			
Net investment in capital assets	23,981,620	(5,133,662)	29,115,282
Restricted	9,814,377	7,631,853	2,182,524
Unrestricted	(24,924,804)	(16,943,544)	(7,981,260)
Total net position	\$ 8,871,193	\$ (14,445,353)	\$ 23,316,546

Changes in net position, governmental activities. The District's total revenues increased 35.6% to \$65.5 million (See Table A-2). The increase is due primarily to proceeds from property exchanges.

The total cost of all programs and services increased 4.7% to \$42.1 million. The District's expenses are predominantly related to educating and caring for students, 70.6%. The purely administrative activities of the District accounted for just 6.1% of total costs. A significant contributor to the increase in costs was increases in staffing costs.

Table A-2

	Governmental Activities		Variance
	2016	2015	Increase (Decrease)
Total Revenues	\$ 65,453,524	\$ 48,257,595	\$ 17,195,929
Total Expenses	42,136,978	40,159,119	1,977,859
Increase (decrease) in net position	\$ 23,316,546	\$ 8,098,476	\$ 15,218,070

CYPRESS SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) *For the Fiscal Year Ended June 30, 2016*

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$20.9 million, which is below last year's ending fund balance of \$27.3 million. The primary cause of the decreased fund balance is capital outlay related to the property exchanges.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$0.1 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$1.6 million due to changes in collective bargaining agreements.
- Other non-capital costs – increased \$1.3 million to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$0.6 million, the actual results for the year show that expenditures exceeded revenues by roughly \$3.5 million. Actual revenues were \$0.9 million more than anticipated, and expenditures were \$2.1 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2016, that will be carried over into the 2016-17 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015-16 the District had invested \$32.9 million in new capital assets, related to property exchanges and facilities updates throughout the District. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was approximately \$2.6 million.

Table A-3: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Variance
	2016	2015	Increase (Decrease)
Land	\$ 17,890,905	\$ 744,680	\$ 17,146,225
Construction in progress	3,818,453	2,024,102	1,794,351
Improvement of sites	2,138,955	2,153,746	(14,791)
Buildings	48,830,047	37,681,373	11,148,674
Equipment	1,086,526	940,218	146,308
Total	<u>\$ 73,764,886</u>	<u>\$ 43,544,119</u>	<u>\$ 30,220,767</u>

CYPRESS SCHOOL DISTRICT

*Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016*

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had approximately \$88.1 million of long-term debt as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-4: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance
	2016	2015	Increase (Decrease)
General obligation bonds	\$ 50,803,241	\$ 47,950,023	\$ 2,853,218
Certificates of participation	7,233,315	7,222,043	11,272
Other postemployment benefits (OPEB)	1,094,935	852,883	242,052
Compensated absences	319,999	304,553	15,446
Capital lease payable	-	1,845	(1,845)
Net pension liability	28,638,798	24,341,439	4,297,359
Total	<u>\$ 88,090,288</u>	<u>\$ 80,672,786</u>	<u>\$ 7,417,502</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

Evolution of the Budget

The Legislature passed the final budget package on June 15, 2016. Total reserves in the final budget package were lower by only \$36 million compared to the Governor's proposal in May. Various choices were made to shift spending priorities compared to the Governor's proposal. Budget savings resulted from (1) reduced spending on state office buildings, (2) shifting funding for the construction of local jails from General Fund to bond funds, and (3) reduced retiree health spending due to lower than expected healthcare costs. Correspondingly, the final budget deal reflected higher spending for affordable housing programs, repealing the MFG policy, and various public safety programs.

The Governor signed the *2016-17 Budget Act* and 14 budget-related bills on June 27, 2016 and July 1, 2016. The Governor did not veto any appropriations.

Proposition 98

State budgeting for schools and community colleges is based primarily on Proposition 98, approved by voters in 1988 and amended in 1990. Below, we provide an overview of Proposition 98 funding and spending changes under the enacted budget package. We then highlight Proposition 98 spending changes specifically for K-12 education.

CYPRESS SCHOOL DISTRICT

*Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016*

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Minimum Guarantee

Proposition 98 Funding Revised Upward Across Three-Year Period

Proposition 98 establishes a minimum funding requirement commonly called the minimum guarantee. Compared with the estimates from June 2015, the 2014-15 and 2015-16 guarantees have increased by \$843 million and \$641 million, respectively. These upward revisions are due primarily to increases in state revenue relative to the amounts assumed in last year's budget package. The estimate of the 2016-17 minimum guarantee is \$3.5 billion (5.1 percent) higher than the *2015-16 Budget Act* level.

Two Key Drivers of Increase in 2016-17

Total funding for all segments in 2016-17 is \$71.9 billion, a \$2.8 billion (4.1 percent) increase above the revised 2015-16 level. This change in the guarantee reflects 3.6 percent growth in the "Test 3 factor" combined with a supplemental appropriation of \$502 million. The Test 3 factor consists of 3.1 percent growth in per capita General Fund plus an additional 0.5 percent increase set forth in the State Constitution. The supplemental appropriation ensures that the minimum guarantee grows at least as quickly as the rest of the state budget.

Increase Covered About Evenly From Higher State General Fund and Local Property Tax Revenue

Of total Proposition 98 funding in 2016-17, \$51.1 billion is state General Fund and \$20.8 billion is local property tax revenue. From 2015-16 to 2016-17, state General Fund increases by \$1.3 billion (accounting for slightly less than half of the \$2.8 billion increase in the guarantee) and local property tax revenue increases by \$1.5 billion (accounting for slightly more than half of the increase in the guarantee). The primary factor explaining the growth in property tax revenue is the strong 6.2 percent increase in assessed property values. In addition, the budget plan assumes property tax revenue increases by \$419 million due to the triple flip ending, thereby completing the shift of revenue from cities, counties, and special districts to school districts and community colleges.

New Maintenance Factor Created in 2016-17

In 2014-15, General Fund tax revenue increased by 11 percent over the prior-year level, resulting in a maintenance factor payment of \$5.7 billion—the largest payment the state has ever made. In 2015-16, the budget assumes the state makes an additional maintenance factor payment of \$379 million, reducing the total outstanding obligation to \$155 million. In 2016-17, the budget assumes the state creates \$746 million in new maintenance factor. The amount of new maintenance factor created is based on the difference between the Proposition 98 Test 2 and Test 3 factors. In 2016-17, growth in the Test 2 factor (per capita personal income) is strong (5.4 percent) relative to growth in the Test 3 factor (3.6 percent).

K-12 Education

\$63.3 Billion Proposition 98 Funding for K-12 Education and Preschool Combined

This 2016-17 level is \$2.5 billion (4.1 percent) more than revised 2015-16 funding and \$3.7 billion (6.3 percent) more than the *2015-16 Budget Act* level. The budget increases funding per student by \$440 (4.3 percent) over the *2015-16 Budget Act* level, bringing Proposition 98 funding per student up to \$10,657.

CYPRESS SCHOOL DISTRICT

*Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016*

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

New Spending

Large Increase for LCFF

The \$2.9 billion augmentation brings total funding for implementing LCFF for school districts and charter schools up to \$55.8 billion, a 5.7 percent increase over the revised 2015-16 level. The administration estimates this funding will close 54 percent of the gap between current funding levels and LCFF target rates, bringing LCFF to 96 percent of its full implementation cost. School districts and charter schools may use LCFF monies for any educational purpose.

Significant Discretionary One-Time Funding

The largest one-time augmentation for K-12 education is \$1.3 billion that LEAs may use for any locally determined purpose. Funding would be distributed based on average daily attendance. If an LEA has unpaid mandate claims, funding would pay all or a portion of those claims. As many LEAs do not have any unpaid claims, we estimate only about half (\$617 million) of the funding provided would reduce the K-12 mandates backlog. We estimate the outstanding K-12 mandates backlog will be \$987 million at the end of 2016-17.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (714) 220-6941.

CYPRESS SCHOOL DISTRICT*Statement of Net Position**June 30, 2016*

	Total Governmental Activities
ASSETS	
Cash	\$ 23,103,354
Accounts receivable	2,251,624
Inventories	34,592
Other current assets	20,443
Non-depreciable assets	21,709,358
Depreciable assets	72,217,738
Less, accumulated depreciation	<u>(20,162,210)</u>
Total assets	<u>99,174,899</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	3,661,906
Deferred amounts on refunding	<u>1,899,520</u>
Total deferred outflows of resources	<u>5,561,426</u>
LIABILITIES	
Accounts payable	3,859,483
Unearned revenue	5,220
Long-term liabilities, due or payable within one year	1,283,675
Long-term liabilities, due or payable after one year	<u>86,806,613</u>
Total liabilities	<u>91,954,991</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>3,910,141</u>
NET POSITION	
Net investment in capital assets	23,981,620
Restricted for:	
Capital projects	6,527,636
Debt service	2,089,196
Categorical and nutrition programs	1,197,545
Unrestricted	<u>(24,924,804)</u>
Total net position	<u>\$ 8,871,193</u>

CYPRESS SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities				
Instructional Services:				
Instruction	\$ 23,675,793	\$ 279,503	\$ 4,331,590	\$ (19,064,700)
Instruction-Related Services:				
Supervision of instruction	937,318	18,234	218,355	(700,729)
Instructional library, media and technology	555,444	-	25,133	(530,311)
School site administration	1,694,088	864	47,616	(1,645,608)
Pupil Support Services:				
Home-to-school transportation	431,201	312	30,672	(400,217)
Food services	1,681,359	680,585	993,105	(7,669)
All other pupil services	772,671	20,269	241,021	(511,381)
General Administration Services:				
Data processing services	692,150	-	-	(692,150)
Other general administration	1,881,377	97	58,126	(1,823,154)
Plant Services	4,152,080	-	-	(4,152,080)
Enterprise Activities	1,038	-	74	(964)
Interest on Long-Term Debt	2,528,305	-	-	(2,528,305)
Other Outgo	583,868	42,769	455,348	(85,751)
Depreciation (unallocated)	2,550,286	-	-	(2,550,286)
Total Governmental Activities	<u>\$ 42,136,978</u>	<u>\$ 1,042,633</u>	<u>\$ 6,401,040</u>	<u>(34,693,305)</u>
General Revenues:				
				19,492,252
				15,490,410
				131,229
				20,659,132
				2,236,828
				<u>58,009,851</u>
				23,316,546
				<u>(14,445,353)</u>
				<u>\$ 8,871,193</u>

CYPRESS SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2016

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 13,870,138	\$ 4,037,318	\$ 4,140,692	\$ 22,048,148
Accounts receivable	1,526,651	483,578	133,987	2,144,216
Stores inventories	-	-	34,592	34,592
Due from other funds	9,838	1,192,601	10,263	1,212,702
Other current assets	20,443	-	-	20,443
Total Assets	<u>\$ 15,427,070</u>	<u>\$ 5,713,497</u>	<u>\$ 4,319,534</u>	<u>\$ 25,460,101</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,315,434	\$ 990,426	\$ 80,888	\$ 3,386,748
Due to other funds	1,202,864	-	9,838	1,212,702
Unearned revenue	5,220	-	-	5,220
Total Liabilities	<u>3,523,518</u>	<u>990,426</u>	<u>90,726</u>	<u>4,604,670</u>
Fund Balances				
Nonspendable	15,000	-	34,592	49,592
Restricted	862,507	4,723,071	4,194,216	9,779,794
Assigned	7,743,313	-	-	7,743,313
Unassigned	3,282,732	-	-	3,282,732
Total Fund Balances	<u>11,903,552</u>	<u>4,723,071</u>	<u>4,228,808</u>	<u>20,855,431</u>
Total Liabilities and Fund Balances	<u>\$ 15,427,070</u>	<u>\$ 5,713,497</u>	<u>\$ 4,319,534</u>	<u>\$ 25,460,101</u>

CYPRESS SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2016

Total fund balances - governmental funds		\$ 20,855,431
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 \$93,927,096, and the accumulated depreciation is (\$20,162,210).		73,764,886
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(472,716)
In governmental funds, interest subsidies received from Qualified School Construction Bonds (QSCB) are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The federal interest subsidies included in receivables in the government-wide statements were:		95,737
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
	General obligation bonds payable	50,803,241
	Certificates of participation payable	7,233,315
	Other postemployment benefits payable	1,094,935
	Compensated absences payable	319,999
	Net pension liability	<u>28,638,798</u>
		(88,090,288)
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:		1,899,520
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
	Deferred outflows of resources	3,661,906
	Deferred inflows of resources	(3,910,141)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal services funds at the end of the period is:		<u>1,066,858</u>
Total net position - governmental activities		<u><u>\$ 8,871,193</u></u>

CYPRESS SCHOOL DISTRICT

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

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 29,402,314	\$ -	\$ -	\$ 29,402,314
Federal sources	1,191,667	-	1,139,194	2,330,861
Other state sources	6,806,646	-	68,075	6,874,721
Other local sources	2,664,052	995,747	2,657,245	6,317,044
Total Revenues	40,064,679	995,747	3,864,514	44,924,940
EXPENDITURES				
Current:				
Instructional Services:				
Instruction	23,719,378	-	-	23,719,378
Instruction-Related Services:				
Supervision of instruction	947,753	-	-	947,753
Instructional library, media and technology	917,016	-	-	917,016
School site administration	1,683,805	-	-	1,683,805
Pupil Support Services:				
Home-to-school transportation	432,590	-	-	432,590
Food services	-	-	1,705,500	1,705,500
All other pupil services	777,371	-	-	777,371
Enterprise Activities	1,005	-	-	1,005
General Administration Services:				
Data processing services	694,906	-	-	694,906
Other general administration	2,255,418	-	-	2,255,418
Plant Services	4,008,607	119,502	3,553	4,131,662
Capital Outlay	609,334	31,983,570	2,770	32,595,674
Intergovernmental Transfers	582,118	-	-	582,118
Debt Service:				
Principal	1,845	-	428,339	430,184
Interest	-	-	1,159,480	1,159,480
Issuance costs and discounts	-	-	170,682	170,682
Total Expenditures	36,631,146	32,103,072	3,470,324	72,204,542
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,433,533	(31,107,325)	394,190	(27,279,602)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	1,193,804	230,151	1,423,955
Interfund transfers out	(1,192,601)	(20,874)	(210,480)	(1,423,955)
Proceeds from refunding bonds	-	-	12,555,000	12,555,000
Premium on refunding bonds	-	-	1,472,611	1,472,611
Transfer to escrow agent for defeased debt	-	-	(13,856,929)	(13,856,929)
Proceeds from sale of land	-	20,659,132	-	20,659,132
Total Other Financing Sources and Uses	(1,192,601)	21,832,062	190,353	20,829,814
Net Change in Fund Balances	2,240,932	(9,275,263)	584,543	(6,449,788)
Fund Balances, July 1, 2015	9,662,620	13,998,334	3,644,265	27,305,219
Fund Balances, June 30, 2016	\$ 11,903,552	\$ 4,723,071	\$ 4,228,808	\$ 20,855,431

CYPRESS SCHOOL DISTRICT

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

Total net change in fund balances - governmental funds \$ (6,449,788)

Amounts reported for governmental *activities* in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	32,975,908	
Depreciation expense	<u>(2,550,286)</u>	30,425,622

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 12,530,184

The issuance of long-term debt is reported in the governmental funds as a source of financing, but in the government-wide statements it is not reported in the statement of activities, but rather as a long-term liability in the statement of net position. Debt issued, net of issuance premiums, during the period was: (14,027,611)

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: (204,855)

In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The increase in the net OPEB liability at the end of period was: (242,052)

In governmental funds, if debt is issued at a premium or a discount, the premium or discount is recognized as an other financing source in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium, less discounts, for the period is: 507,319

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. (1,872,537)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the debt. The difference between current year amounts and the current year amortization is: 1,899,520

In governmental funds, interest subsidies received from Qualified School Construction Bonds (QSCB) are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The federal interest subsidies included in receivables in the government-wide statements were, less amounts accrued in the prior year were: (2,988)

In governmental 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, differences between accrual-basis pension costs and actual employer contributions were: 107,141

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 48,345

In the statement of activities, compensated absences are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*). (15,446)

The internal service fund is used by management to charge the cost of self-insurance activities. The net revenue (expense) of the internal service fund is reported with governmental activities. 613,692

Change in net position of governmental activities \$ 23,316,546

CYPRESS SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2016

	Governmental Activities Internal Service Fund
ASSETS	
Cash	\$ 1,055,206
Accounts receivable	<u>11,671</u>
Total Assets	<u>1,066,877</u>
LIABILITIES	
Accounts payable	<u>19</u>
NET POSITION	
Restricted	<u><u>\$ 1,066,858</u></u>

CYPRESS SCHOOL DISTRICT

*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2016*

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Self-insurance premiums	\$ 3,477,830
OPERATING EXPENSES	
Payments for services	<u>2,870,918</u>
Operating Income (Loss)	<u>606,912</u>
NON-OPERATING REVENUES	
Interest income	<u>6,780</u>
Change in Net Position	613,692
Net Position, July 1, 2015	<u>453,166</u>
Net Position, June 30, 2016	<u><u>\$ 1,066,858</u></u>

CYPRESS SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2016

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 3,475,320
Cash payments for payroll, insurance and operating costs	<u>(2,889,132)</u>
Net cash provided (used) by operating activities	586,188
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>6,256</u>
Net increase (decrease) in cash	592,444
Cash, July 1, 2015	<u>462,762</u>
Cash, June 30, 2016	<u><u>\$ 1,055,206</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 606,912
Changes in operating assets and liabilities:	
Increase in accounts receivable	(2,510)
Increase in estimated claim liability	<u>(18,214)</u>
Net cash provided (used) by operating activities	<u><u>\$ 586,188</u></u>

CYPRESS SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2016

	Agency Fund
	125 Plan Fund
ASSETS	
Cash	\$ 31,942
Total Assets	<u>\$ 31,942</u>
LIABILITIES	
Due to employee groups	\$ 31,942
Total Liabilities	<u>\$ 31,942</u>

CYPRESS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cypress 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:

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For Cypress School District, this includes general operations, food service, and student related activities of the District.

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

For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Cypress School District Public Financing Corporation (the Corporation) financial activity is presented in the financial statements as the Capital Projects for Blended Component Units Fund and the Debt Service for Blended Component Units Fund. Certificates of participation and other debt issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements are not prepared for the Corporation.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

CYPRESS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Government-Wide Financial Statements (continued)

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District also maintains a Deferred Maintenance Fund. Under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, the Deferred Maintenance Fund does not currently meet the definition of special revenue funds as it is no longer primarily composed of restricted or committed revenue sources. Because this fund does not meet the definition of special revenue funds under GASB 54, the activity in this fund is being reported within the General Fund.

Special Reserve Fund for Capital Outlay Projects: This fund is used to account for funds set aside for Board designated construction projects and for proceeds from the sale of real property.

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Revenue Fund:

Cafeteria Fund: This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

CYPRESS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Projects Funds:

Building Fund: This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds and bond anticipation notes.

Capital Facilities Fund: This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

County School Facilities Fund: This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

Capital Projects Fund for Blended Component Units: This fund is used to account for the activity of the certificates of participation.

Debt Service Funds:

Bond Interest and Redemption Fund: This fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Debt Service Fund for Blended Component Units: This fund is used to account for the accumulation of resources for the repayment of certificates of participation.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Dental and Vision Self-Insurance Fund: This fund may be used to account for resources committed to pay the costs of the District's vision and dental benefits and claims for its employees.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary funds:

Section 125 Employee Benefit Plan: The District maintains this fund to hold amounts that are collected on behalf of employees for benefits.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

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

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. Revenues - Exchange and Non-Exchange Transactions

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data

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

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

D. Encumbrances

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

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

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Unearned Revenue

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

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first item is to recognize the District's proportionate share of the deferred outflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans". The second item is deferred amount on refunding, which resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has one item that is reported as deferred inflows of resources. This item recognizes the District's proportionate share of the deferred inflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans".

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. Pensions

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

9. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Net Position (continued)

- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Minimum Fund Balance Policy

During the 2010-11 fiscal year, pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of total General Fund expenditures and other financing uses.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the governing board has provided otherwise in its commitment or assignment actions.

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that 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 reported period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements

During the 2015-16 fiscal year, the following GASB Pronouncements became effective:

1. Statement No. 72, *Fair Value Measurement and Application (Issued 02/15)*

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

2. Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (Issued 06/15)*

The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

3. Statement No. 79, *Certain External Investment Pools and Pool Participants (Issued 12/15)*

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

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

CYPRESS SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 2 – CASH

Cash at June 30, 2016, is reported at fair value and consisted of the following:

	Governmental Activities			Fiduciary Funds
	Governmental Funds	Proprietary Fund	Total	
Pooled Funds:				
Cash in County Treasury	\$ 21,193,577	\$ 1,026,119	\$ 22,219,696	\$ -
Total Pooled Funds	21,193,577	1,026,119	22,219,696	-
Deposits:				
Cash on hand and in banks	-	-	-	31,942
Cash in revolving fund	15,000	29,087	44,087	-
Cash with fiscal agent	736,668	-	736,668	-
Cash collections awaiting deposits	102,903	-	102,903	-
Total Deposits	854,571	29,087	883,658	31,942
Total Cash	\$ 22,048,148	\$ 1,055,206	\$ 23,103,354	\$ 31,942

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2016, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, none of the District's bank balance was exposed to custodial credit risk because it was insured by the FDIC.

CYPRESS SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2016

NOTE 3 – ACCOUNTS RECEIVABLE

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

	Governmental Funds			Total	Proprietary
	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds		Self-Insurance Fund
Federal Government:					
Categorical aid programs	\$ 710,337	\$ -	\$ 123,689	\$ 834,026	\$ -
State Government:					
Lottery	447,410	-	-	447,410	-
Special education	213,885	-	-	213,885	-
Categorical aid programs	119,789	-	8,103	127,892	-
Local:					
Interest	8,159	3,683	1,225	13,067	700
Other local revenue	27,071	479,895	970	507,936	10,971
Total	\$ 1,526,651	\$ 483,578	\$ 133,987	\$ 2,144,216	\$ 11,671

NOTE 4 – INTERFUND ACTIVITIES

A. Balances Due To/From Other Funds

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

Cafeteria Fund due to the the General Fund for reimbursements	\$ 9,838
General Fund due to the Special Reserve Fund for Capital Outlay Projects for redevelopment funds	1,192,601
General Fund due to the Cafeteria Fund for catering costs	10,263
Total	\$ 1,212,702

As of June 30, 2016, there was \$500,000 due to the Deferred Maintenance Fund from the General Fund. This activity has been removed from these statements in accordance with GASB Statement No. 54.

B. Transfers To/From Other Funds

Transfers to/from other funds during the year ended June 30, 2016, consisted of the following:

General Fund transfer to the Special Reserve Fund for Capital Outlay Projects for redvelopment funds	\$ 1,192,601
Building Fund transfer to Special Reserve Fund for Capital Outlay for interest revenue	1,203
Special Reserve Fund for Capital Outlay Projects transfer to Debt Service Fund for Blended Component Units for debt service on COPs	20,874
Capital Projects Fund for Blended Component Units transfer to Debt Service Fund for Blended Component Units for debt service on COPs	209,277
Total	\$ 1,423,955

During the year, the District transferred \$500,000 from the General Fund to the Deferred Maintenance Fund. This interfund activity has been removed in accordance with GASB Statement No. 54.

CYPRESS SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 5 - FUND BALANCES

At June 30, 2016, fund balances of the District's governmental funds were classified as follows:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	\$ 15,000	\$ -	\$ -	\$ 15,000
Stores inventories	-	-	34,592	34,592
Total Nonspendable	<u>15,000</u>	<u>-</u>	<u>34,592</u>	<u>49,592</u>
Restricted:				
Categorical programs	862,507	-	-	862,507
Food services	-	-	300,446	300,446
Capital projects	-	4,723,071	1,804,574	6,527,645
Debt service	-	-	2,089,196	2,089,196
Total Restricted	<u>862,507</u>	<u>4,723,071</u>	<u>4,194,216</u>	<u>9,779,794</u>
Assigned:				
CSR reserve	335,176	-	-	335,176
LCFF one time reserve	560,326	-	-	560,326
Project STEM reserve	3,000,000	-	-	3,000,000
Accrued liability reserve	487,000	-	-	487,000
RRMA maintenance reserve	568,068	-	-	568,068
Educator Effectiveness reserve	220,649	-	-	220,649
Prop 98 one time reserve	1,132,621	-	-	1,132,621
Deferred maintenance	1,439,473	-	-	1,439,473
Total Assigned	<u>7,743,313</u>	<u>-</u>	<u>-</u>	<u>7,743,313</u>
Unassigned:				
Reserve for economic uncertainties	1,114,574	-	-	1,114,574
Remaining unassigned balances	2,168,158	-	-	2,168,158
Total Unassigned	<u>3,282,732</u>	<u>-</u>	<u>-</u>	<u>3,282,732</u>
Total	<u>\$ 11,903,552</u>	<u>\$ 4,723,071</u>	<u>\$ 4,228,808</u>	<u>\$ 20,855,431</u>

CYPRESS SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2015	Additions	Retirements	Balance, June 30, 2016
Capital assets not being depreciated:				
Land	\$ 744,680	\$ 17,229,605	\$ 83,380	\$ 17,890,905
Construction in progress	2,024,102	3,825,328	2,030,977	3,818,453
Total capital assets not being depreciated	<u>2,768,782</u>	<u>21,054,933</u>	<u>2,114,357</u>	<u>21,709,358</u>
Capital assets being depreciated:				
Improvement of sites	4,376,470	254,626	-	4,631,096
Buildings	54,865,667	13,373,422	1,888,352	66,350,737
Equipment	2,799,534	323,904	1,887,533	1,235,905
Total capital assets being depreciated	<u>62,041,671</u>	<u>13,951,952</u>	<u>3,775,885</u>	<u>72,217,738</u>
Accumulated depreciation for:				
Improvement of sites	(2,222,724)	(269,417)	-	(2,492,141)
Buildings	(17,184,294)	(2,103,273)	(1,766,877)	(17,520,690)
Equipment	(1,859,316)	(177,596)	(1,887,533)	(149,379)
Total accumulated depreciation	<u>(21,266,334)</u>	<u>(2,550,286)</u>	<u>(3,654,410)</u>	<u>(20,162,210)</u>
Total capital assets being depreciated, net	<u>40,775,337</u>	<u>11,401,666</u>	<u>121,475</u>	<u>52,055,528</u>
Governmental activity capital assets, net	<u>\$ 43,544,119</u>	<u>\$ 32,456,599</u>	<u>\$ 2,235,832</u>	<u>\$ 73,764,886</u>

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2016, were as follows:

	Balance, July 1, 2015	Additions	Deductions	Balance, June 30, 2016	Amounts Due Within One Year
General obligation bonds:					
Principal payments	\$ 39,819,928	\$ 12,555,000	\$ 12,528,339	\$ 39,846,589	\$ 788,150
Accreted interest	6,283,865	1,879,198	6,661	8,156,402	11,850
Unamortized premium	1,846,230	1,472,611	518,591	2,800,250	159,947
Sub-total bonds	<u>47,950,023</u>	<u>15,906,809</u>	<u>13,053,591</u>	<u>50,803,241</u>	<u>959,947</u>
Certificates of participation:					
Principal payments	7,365,000	-	-	7,365,000	335,000
Unamortized discount	(142,957)	-	(11,272)	(131,685)	(11,272)
Sub-total COPs	<u>7,222,043</u>	<u>-</u>	<u>(11,272)</u>	<u>7,233,315</u>	<u>323,728</u>
Other postemployment benefits	852,883	242,052	-	1,094,935	-
Compensated absences	304,553	15,446	-	319,999	-
Capital leases	1,845	-	1,845	-	-
Net pension liability	<u>24,341,439</u>	<u>4,297,359</u>	<u>-</u>	<u>28,638,798</u>	<u>-</u>
Total	<u>\$ 80,672,786</u>	<u>\$ 20,461,666</u>	<u>\$ 13,044,164</u>	<u>\$ 88,090,288</u>	<u>\$ 1,283,675</u>

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of participation are made by the Debt Service Fund for Blended Component Units. Capital leases payments are made by the General Fund. Compensated absences, other postemployment benefits, and amounts related to the net pension liability will be paid for by the fund for which the employee worked.

CYPRESS SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2016

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds

On November 4, 2008, District voters approved Measure M, authorizing the District to issue and sell general obligation bonds of up to \$53.6 million. Proceeds from the sale of bonds are being used for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities.

2015 General Obligation Refunding Bonds

On November 19, 2015, the District issued \$12,555,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0% and 5.0% with annual maturities from August 1, 2016, through August 1, 2029. The net proceeds of \$13,856,929 (after premiums of \$1,472,611 and issuance costs of \$170,682) were used to advance refund a portion of the District's outstanding Election of 2008, Series A General Obligation Bonds.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2016, of \$1,899,520 remain to be amortized. As of June 30, 2016, the principal balance outstanding on the defeased debt amounted to \$12,100,000.

The refunding decreased the District's total debt service payments by \$1,018,893. The transaction resulted in an economic loss (difference between the present value of the debt service on the old and the new bonds) of \$467,188.

A summary of outstanding bonds is shown below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2015	Additions	Deductions	Balance, June 30, 2016
2008A	5/5/2009	5/1/2034	2.0%-5.0%	\$ 16,999,052	\$ 15,669,052	\$ -	\$ 12,340,000	\$ 3,329,052
2008B-1	4/21/2011	8/1/2050	5.0%-5.25%	20,139,078	20,045,876	-	43,339	20,002,537
2008B-2	4/21/2011	8/1/2025	5.33%-6.65%	4,535,000	4,105,000	-	145,000	3,960,000
2015 Ref.	12/10/2015	8/1/2029	2.0%-5.0%	12,555,000	-	12,555,000	-	12,555,000
			Total	\$ 54,228,130	\$ 39,819,928	\$ 12,555,000	\$ 12,528,339	\$ 39,846,589
			Accreted Interest:					
			2008A	\$ 912,527	\$ 202,106	\$ -	\$ -	\$ 1,114,633
			2008B-1	5,371,338	1,677,092	6,661	6,661	7,041,769
			Total	\$ 6,283,865	\$ 1,879,198	\$ 6,661	\$ 6,661	\$ 8,156,402

CYPRESS SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds

The amounts required to amortize outstanding bonds at June 30, 2016, are as follows:

Fiscal Year	Principal	Interest	Total
2016-17	\$ 788,150	\$ 1,047,428	\$ 1,835,578
2017-18	671,098	1,028,852	1,699,950
2018-19	1,098,178	1,080,663	2,178,841
2019-20	1,239,574	1,078,264	2,317,838
2020-21	1,341,557	1,073,341	2,414,898
2021-26	9,738,992	4,209,167	13,948,159
2026-31	11,093,205	7,241,594	18,334,799
2031-36	1,846,874	23,535,875	25,382,749
2036-41	2,614,170	31,150,097	33,764,267
2041-46	2,506,943	41,666,767	44,173,710
2046-51	6,907,848	50,249,491	57,157,339
Total	\$ 39,846,589	\$ 163,361,540	\$ 203,208,129

B. Certificates of Participation

On March 7, 2013, the District issued certificates of participation in the amount of \$7,365,000 through the Cypress School District Public Financing Corporation at interest rates ranging between 2.00% to 3.625%. The certificates were issued to provide the funds necessary for the acquisition, construction, delivery, and installation of certain school facilities, buildings and equipment.

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

Fiscal Year	Principal	Interest	Total
2016-17	\$ 335,000	\$ 230,150	\$ 565,150
2017-18	455,000	223,450	678,450
2018-19	485,000	213,213	698,213
2019-20	515,000	201,088	716,088
2020-21	545,000	185,638	730,638
2021-26	3,350,000	649,963	3,999,963
2026-28	1,680,000	91,050	1,771,050
Total	\$ 7,365,000	\$ 1,794,552	\$ 9,159,552

C. Capital Leases

The District leased equipment and facilities having a capitalized cost of \$31,803 under agreements that provide for title to pass upon expiration of the lease period. As of June 30, 2016, were no remaining payments.

CYPRESS SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 8 – JOINT VENTURES

The Cypress School District participates in joint ventures under joint powers agreements with the North Orange County Self-Funded Workers' Compensation Agency (NOCSFWCA) and the North Orange County Liability and Property Self-Insurance Authority (NOCLPSIA). The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The NOCLPSIA JPA provides property and liability insurance coverage for its members and NOCSFWCA provides its members workers compensation insurance coverage. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

Condensed audited financial information as of June 30, 2016, for the JPAs is shown below:

	NOCSFWCA	NOCLPSIA
Total Assets	\$ 1,790,136	\$ 3,132,710
Total Liabilities	1,412,147	2,509,889
Total Net Position	<u>\$ 377,989</u>	<u>\$ 622,821</u>
Total Income	\$ 5,871,628	\$ 3,182,648
Total Expenses	(5,878,200)	(3,185,791)
Non-Operating Revenues	12,420	13,142
Net Income (Loss)	<u>\$ 5,848</u>	<u>\$ 9,999</u>

NOTE 9 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2016, the District participated in the NOCLPSIA public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2016, the District participated in the NOCSFWCA JPA for workers compensation, with excess coverage provided by the Schools Excess Liability Fund (SELF) public entity risk pool.

Claims Liability

The District records an estimated liability for dental and vision claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

CYPRESS SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 9 – RISK MANAGEMENT (continued)

Unpaid Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2014 to June 30, 2016:

	<u>Dental & Vision</u>
Liability Balance, July 1, 2014	\$ 727
Claims and changes in estimates	2,749,058
Claims payments	<u>(2,731,552)</u>
Liability Balance, June 30, 2015	18,233
Claims and changes in estimates	2,852,704
Claims payments	<u>(2,870,918)</u>
Liability Balance, June 30, 2016	<u>\$ 19</u>
Assets available to pay claims at June 30, 2016	<u>\$ 1,066,877</u>

NOTE 10 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Construction Commitments

As of June 30, 2016, the District had commitments with respect to unfinished capital projects of approximately \$3.7 million.

NOTE 11 – PENSION PLANS

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

A. General Information about the Pension Plans

Plan Descriptions

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions under the Plan are established by State statute and District resolution. CalSTRS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalSTRS website.

NOTE 11 – PENSION PLANS (continued)

A. General Information about the Pension Plans (continued)

Plan Descriptions (continued)

The District also contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalSTRS provides retirement, disability, and death benefits. Retirement benefits are determined as 2 percent of final compensation for each year of credited service at age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, increasing to a maximum of 2.4 percent at age 63 for members under *CalSTRS 2% at 60*, or age 65 for members under *CalSTRS 2% at 62*. The normal retirement eligibility requirements are age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, with a minimum of five years of service credited under the Defined Benefit Program, which can include service purchased from teaching in an out-of-state or foreign public school. Employees are eligible for service-related disability benefits after five years of service, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year. Disability benefits are equal to fifty percent of final compensation regardless of age and service credit. Designated recipients of CalSTRS retired members receive a \$6,163 lump-sum death payment. There is a 2 percent simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue. The annual 2 percent increase is applied to all continuing benefits other than Defined Benefit Supplement annuities. However, if the member retires with a Reduced Benefit Election, the increase does not begin to accrue until the member reaches age 60 and is not payable until the member receives the full benefit. This increase is also known as the improvement factor.

CalPERS also provides retirement, disability, and death benefits. Retirement benefits are determined as 1.1 percent of final compensation for each year of credited service at age 50 for members under *2% at 55*, or 1.0 percent at age 52 for members under *2% at 62*, increasing to a maximum of 2.5 percent at age 63 for members under *2% at 55*, or age 67 for members under *2% at 62*. To be eligible for service retirement, members must be at least age 50 and have a minimum of five years of CalPERS-credited service. Members joining on or after January 1, 2013 must be at least age 52. Disability retirement has no minimum age requirement and the disability does not have to be job related. However, members must have a minimum of five years of CalPERS service credit.

Pre-retirement death benefits range from a simple return of member contributions plus interest to a monthly allowance equal to half of what the member would have received at retirement paid to a spouse or domestic partner. To be eligible for any type of monthly pre-retirement death benefit, a spouse or domestic partner must have been either married to the member or legally registered before the occurrence of the injury or the onset of the illness that resulted in death, or for at least one year prior to death. Cost-of-living adjustments are provided by law and are based on the Consumer Price Index for all United States cities. Cost-of-living adjustments are paid the second calendar year of the member's retirement on the May 1 check and then every year thereafter. The standard cost-of-living adjustment is a maximum of 2 percent per year.

CYPRESS SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 11 - PENSION PLANS (continued)

A. General Information about the Pension Plans (continued)

Contributions

Active CalSTRS plan members under 2% at 60 were required to contribute 9.2% and plan members under 2% at 62 were required to contribute 8.56% of their salary in 2015-16. The required employer contribution rate for fiscal year 2015-16 was 10.73% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The required employer contribution for fiscal year 2015-16 was 11.847%. The contribution requirements of the plan members are established by State statute.

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

	CalSTRS	CalPERS
Employer contributions	\$ 1,830,481	\$ 558,729
Employee contributions paid by employer	\$ -	\$ -
Employer contributions paid by State	\$ 1,068,321	\$ -

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

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

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 22,890,160
CalPERS	5,748,638
Total Net Pension Liability	\$ 28,638,798

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

	CalSTRS	CalPERS
Proportion - June 30, 2014	0.0340%	0.0394%
Proportion - June 30, 2015	0.0340%	0.0390%
Change - Increase (Decrease)	0.0000%	-0.0004%

CYPRESS SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2016

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2016, the District recognized pension expense of \$2,282,069. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,389,210	\$ -
Differences between actual and expected experience	328,543	(382,500)
Changes in assumptions	-	(353,212)
Adjustment due to differences in proportions	-	(167,517)
Net differences between projected and actual earnings on plan investments	944,153	(3,006,912)
	<u>\$ 3,661,906</u>	<u>\$ (3,910,141)</u>

The total amount of \$2,389,210 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Amount
2017	\$ (629,323)
2018	(579,775)
2019	(205,869)
2020	(54,643)
2021	(54,643)
Thereafter	-

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

	CalSTRS	CalPERS
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.00%	2.75%
Wage Growth	3.75%	Varies
Post-retirement Benefit Increase	2.00%	2.00%
Investment Rate of Return	7.60%	7.65%

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. 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 underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2014 valuation were based on the results of an April 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – for CalSTRS

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.

Discount Rate – for CalPERS

The discount rate used to measure the total pension liability for PERF B was 7.65 percent. A projection of expected benefit payments and contributions was performed to determine if the 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 PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

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

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

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

CYPRESS SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2016

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate – for CalPERS (continued)

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

Asset Class	Target Allocation		Long-Term Expected Rate of Return	
	CalSTRS	CalPERS	CalSTRS	CalPERS
Global Equity	47%	51%	4.50%	5.71%
Global Debt Securities	N/A	19%	N/A	2.43%
Inflation Sensitive	5%	6%	3.20%	3.36%
Private Equity	12%	10%	6.20%	6.95%
Real Estate	15%	10%	4.35%	5.13%
Infrastructure and Forestland	N/A	2%	N/A	5.09%
Fixed Income	20%	N/A	0.20%	N/A
Liquidity	1%	2%	0.00%	-1.05%
	100%	100%		

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	\$ 34,562,360	\$ 9,356,388
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 22,890,160	\$ 5,748,638
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 13,189,620	\$ 2,748,553

Pension Plan Fiduciary Net Position

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

C. Payable to the Pension Plans

At June 30, 2016, the District reported a payable of \$1,138 and \$44,507 for the outstanding amount of contributions to the CalSTRS and CalPERS pension plans, respectively.

CYPRESS SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2016

NOTE 12 – CYPRESS EDUCATION FOUNDATION

The District leases facilities to the Cypress Education Foundation for use as a child care center. The District does not receive lease or rental revenue from the Foundation, but it does charge the Foundation for a prorated share of utilities and maintenance costs. In addition, the Foundation makes regular grants to the District of \$100,000 every 3 months. The Foundation grants are restricted as to use and may only be used for purposes specified in the Foundation documents.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS

Cypress School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	21
Active plan members*	256
Total	<u>277</u>

*As of October 1, 2014, actuarial valuation

Following is a description of the current retiree benefit plan: Non-represented employees receive benefits according to the appropriate classification.

	<u>Certificated Management</u>	<u>Certificated</u>	<u>Classified</u>	<u>Classified Management</u>
Benefit types provided	Medical, dental, & vision	Medical, dental, & vision	Medical, dental, & vision	Medical, dental, & vision
Duration of benefits	To Medicare age	To Medicare age	To Medicare age	To Medicare age
Required services	10 years	10 years	10 years	10 years
Minimum age	55	55	55	55
Dependent coverage	Yes	Yes	Yes	Yes
District contribution %	100%	100%	100%	100%
District cap	Same as active	Same as active	Same as active	Same as active

The District’s funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2015-16, the District contributed \$373,750.

CYPRESS SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation:

Annual required contribution (ARC)	\$ 619,205
Interest on net OPEB obligation	38,380
Adjustment to ARC	<u>(41,783)</u>
Annual OPEB cost	615,802
Contributions made	<u>(373,750)</u>
Increase in net OPEB liability	242,052
Net OPEB liability - July 1, 2015	<u>852,883</u>
Net OPEB liability - June 30, 2016	<u><u>\$ 1,094,935</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015-16 and the preceding two fiscal years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	\$ 547,134	57%	\$ 580,494
2015	\$ 616,889	56%	\$ 852,883
2016	\$ 615,802	61%	\$ 1,094,935

Funded Status and Funding Progress – OPEB Plans

As of October 1, 2014, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$4.8 million and the unfunded actuarial accrued liability (UAAL) was \$4.8 million.

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. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 designated 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.

CYPRESS SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions (continued)

Additional information as of the latest actuarial valuation follows:

Valuation Date	October 1, 2014
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll method
Remaining Amortization Period	30 years
Asset Valuation	N/A
Actuarial Assumptions:	
Investment rate of return	4.5%
Inflation	2.75%
Healthcare cost trend rate	4.0%

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Required Supplementary Information

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CYPRESS SCHOOL DISTRICT

*Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2016*

	Budgeted Amounts		Actual* (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF Sources	\$ 29,625,905	\$ 29,447,433	\$ 29,402,314	\$ (45,119)
Federal Sources	1,286,628	1,475,974	1,191,667	(284,307)
Other State Sources	5,491,862	5,526,513	6,806,646	1,280,133
Other Local Sources	2,739,011	2,756,983	2,659,394	(97,589)
Total Revenues	39,143,406	39,206,903	40,060,021	853,118
Expenditures				
Current:				
Certificated Salaries	16,421,089	17,164,954	17,133,127	31,827
Classified Salaries	5,123,783	5,474,555	5,543,920	(69,365)
Employee Benefits	6,202,711	6,674,494	7,643,324	(968,830)
Books and Supplies	1,922,288	2,344,909	904,210	1,440,699
Services and Other Operating Expenditures	3,730,653	4,604,591	3,688,149	916,442
Capital Outlay	37,390	1,430,794	1,033,349	397,445
Intergovernmental Transfers	909,113	909,113	582,118	326,995
Total Expenditures	34,347,027	38,603,410	36,528,197	2,075,213
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,796,379	603,493	3,531,824	2,928,331
Other Financing Sources and Uses				
Interfund Transfers Out	(1,192,601)	(1,192,601)	(1,692,601)	(500,000)
Total Other Financing Sources and Uses	(1,192,601)	(1,192,601)	(1,692,601)	(500,000)
Net Changes in Fund Balances	3,603,778	(589,108)	1,839,223	2,428,331
Fund Balances, July 1, 2015	8,244,557	8,624,854	8,624,855	1
Fund Balances, June 30, 2016	\$ 11,848,335	\$ 8,035,746	\$ 10,464,078	\$ 2,428,332

* The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

CYPRESS SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2016

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2010	\$ -	\$ 2,640,199	\$ 2,640,199	0%	\$ 19,250,859	13.7%
10/1/2012	\$ -	\$ 4,291,369	\$ 4,291,369	0%	\$ 19,571,952	21.9%
10/1/2014	\$ -	\$ 4,839,053	\$ 4,839,053	0%	\$ 18,881,469	25.6%

CYPRESS SCHOOL DISTRICT*Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2016*

	Last Ten Fiscal Years*	
	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset):		
CalSTRS	0.0340%	0.0340%
CalPERS	0.0390%	0.0394%
District's proportionate share of the net pension liability (asset):		
CalSTRS	\$ 22,890,160	\$ 19,868,580
CalPERS	\$ 5,748,638	\$ 4,472,859
District's covered-employee payroll:		
CalSTRS	\$ 15,888,615	\$ 15,003,115
CalPERS	\$ 4,325,096	\$ 4,293,262
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll:		
CalSTRS	144.1%	132.4%
CalPERS	132.9%	104.2%
Plan fiduciary net position as a percentage of the total pension liability:		
CalSTRS	74.0%	76.5%
CalPERS	79.4%	83.4%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

CYPRESS SCHOOL DISTRICT
Schedule of Contributions
For the Fiscal Year Ended June 30, 2016

Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution:		
CalSTRS	\$ 1,410,909	\$ 1,237,757
CalPERS	\$ 509,107	\$ 491,235
Contributions in relation to the actuarially determined contribution:		
CalSTRS	\$ 1,410,909	\$ 1,237,757
CalPERS	<u>\$ 509,107</u>	<u>\$ 491,235</u>
Contribution deficiency (excess):		
CalSTRS	<u>\$ -</u>	<u>\$ -</u>
CalPERS	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll:		
CalSTRS	\$ 15,888,615	\$ 15,003,115
CalPERS	\$ 4,325,096	\$ 4,293,262
Contributions as a percentage of covered-employee payroll:		
CalSTRS	8.88%	8.25%
CalPERS	11.771%	11.442%

* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

CYPRESS SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

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

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

NOTE 2 – SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS

Benefit Changes

There were no changes to benefit terms that applied to all members of the Schools Pool.

Changes of Assumptions

The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

CYPRESS SCHOOL DISTRICT

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016*

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2016, the District incurred the following excess of expenditures over appropriations in the General Fund presented in the Budgetary Comparison Schedule:

	General Fund
Classified Salaries	\$ 69,365
Employee Benefits	968,830
Interfund Transfers Out	500,000

Supplementary Information

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CYPRESS SCHOOL DISTRICT

Local Educational Agency Organization Structure

June 30, 2016

The Cypress School District was established as a school district in 1895. The District encompasses the city of Cypress as well as portions of Buena Park and La Palma in the northwestern portion of Orange County. There were no changes to the District's boundaries during the year. The District operated six elementary schools (kindergarten through grade 6) during the year.

GOVERNING BOARD		
Member	Office	Term Expires
Vacant	President	N/A
Mr. Brian Nakamura	Vice-President	November, 2016
Dr. Lydia Sondhi	Clerk	November, 2018
Ms. Candice Kern	Member	November, 2016
Ms. Sandra Lee	Member	November, 2018

DISTRICT ADMINISTRATORS

Anne Silavs,
Superintendent

Tim McLellan, Ed.D.,
Assistant Superintendent of Business Services

Tracy Mouren-Laurens,
Administrative Director, Human Resources / Induction

CYPRESS SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2016

	Second Period Report	Annual Report
	Certificate No. (07152278)	Certificate No. (68D90E01)
Regular & Extended Year ADA:		
Transitional Kindergarten through Third	2,132.53	2,135.22
Fourth through Sixth	1,701.67	1,703.95
Total Regular & Extended Year ADA	3,834.20	3,839.17
Special Education, Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	0.85	1.16
Fourth through Sixth	3.29	3.71
Total Special Education, Nonpublic, Nonsectarian Schools	4.14	4.87
Total ADA	3,838.34	3,844.04

CYPRESS SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2016

<u>Grade Level</u>	<u>Requirement</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Year Round Calendar</u>	<u>Status</u>
Kindergarten	36,000	42,245	180	180	Complied
Grade 1	50,400	51,010	180	180	Complied
Grade 2	50,400	51,010	180	180	Complied
Grade 3	50,400	51,010	180	180	Complied
Grade 4	54,000	54,975	180	180	Complied
Grade 5	54,000	54,975	180	180	Complied
Grade 6	54,000	54,975	180	180	Complied

CYPRESS SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2016

General Fund	(Budget)			
	2017 ³	2016 ²	2015	2014
Revenues and other financing sources	\$ 38,628,620	\$ 40,060,021	\$ 33,878,329	\$ 31,551,664
Expenditures	38,586,718	36,528,197	31,794,764	29,386,188
Other uses and transfers out	1,192,601	1,692,601	2,098,085	840,225
Total outgo	39,779,319	38,220,798	33,892,849	30,226,413
Change in fund balance (deficit)	(1,150,699)	1,839,223	(14,520)	1,325,251
Ending fund balance	\$ 9,313,379	\$ 10,464,078	\$ 8,624,855	\$ 8,639,375
Available reserves ¹	\$ 2,532,276	\$ 3,282,732	\$ 8,151,904	\$ 7,342,711
Available reserves as a percentage of total outgo	6.4%	8.6%	24.1%	24.3%
Total long-term debt	\$ 86,806,613	\$ 88,090,288	\$ 80,672,786	\$ 85,221,548
Average daily attendance at P-2	3,839	3,838	3,876	3,824

The General Fund balance has increased by \$1,824,703 over the past two years. The fiscal year 2016-17 adopted budget projects a decrease of \$1,150,699. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in only one of the past three years, and anticipates incurring an operating deficit during the 2016-17 year. Long-term debt has increased by \$2,868,740 over the past two years.

Average daily attendance has increased by 14 over the past two years. ADA is expected to remain practically unchanged in fiscal year 2016-17.

¹ Available reserves consist of all unassigned fund balances in the General Fund.

² The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

³ Revised Final Budget September, 2016.

CYPRESS SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2016*

*There were no differences between the Annual Financial and Budget Report and the
Audited Financial Statements in any funds.*

CYPRESS SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	\$ 717,217	
National School Lunch Program	10.555	13523	89,313	
USDA Donated Foods	10.555	N/A	<u>130,121</u>	
Total Child Nutrition Cluster				<u>\$ 936,651</u>
Total U.S. Department of Agriculture				<u>936,651</u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
No Child Left Behind (NCLB):				
Title I, Part A, Basic Grants	84.010	14329		211,651
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341		34,349
Title III, Limited English Proficient (LEP) Student Program	84.365	14346		55,851
Individuals with Disabilities Education Act (IDEA):				
Passed through Greater Anaheim SELPA:				
Special Education Cluster:				
Basic Local Assistance Entitlement, Part B	84.027	13379	581,040	
Preschool Grants, Part B, Section 619	84.173	13430	32,503	
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	62,410	
Mental Health Allocation Plan, Part B, Section 611	84.027	14468	<u>44,660</u>	
Total Special Education Cluster				<u>720,613</u>
Total U.S. Department of Education				<u>1,022,464</u>
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education:				
Medicaid Cluster:				
Medi-Cal Billing Option	93.778	10013	103,739	
Medi-Cal Administrative Activities (MAA)	93.778	10060	<u>65,464</u>	
Total Medicaid Cluster				<u>169,203</u>
Total U.S. Department of Health & Human Services				<u>169,203</u>
Total Expenditures of Federal Awards				<u><u>\$ 2,128,318</u></u>

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

CYPRESS SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met 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 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirement, as required by Education Code Section 46201.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Schedule of Expenditures of Federal Awards

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

The District did not elect to use the ten percent de minimis indirect cost rate.

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Other Independent Auditors' Reports

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

Board of Trustees
Cypress School District
Cypress, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cypress School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Cypress School District's basic financial statements, and have issued our report thereon dated December 5, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cypress School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cypress School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cypress 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

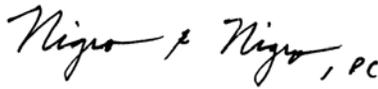
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cypress 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Nigro & Nigro, PC".

Murrieta, California
December 5, 2016



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Cypress School District
Cypress, California

Report on State Compliance

We have audited Cypress School District's compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Cypress School District's state government programs as noted on the following page for the fiscal year ended June 30, 2016.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Cypress School District's State programs based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below occurred. An audit includes examining, on a test basis, evidence about Cypress School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

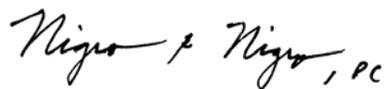
We believe that our audit provides a reasonable basis for our opinion on compliance for each State program. However, our audit does not provide a legal determination of Cypress School District's compliance.

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Unmodified Opinion on Compliance with State Programs

In our opinion, Cypress School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.



Murrieta, California
December 5, 2016



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

Board of Trustees
Cypress School District
Cypress, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Cypress 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 Cypress 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 Cypress School District's compliance.

Opinion on Each Major Federal Program

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

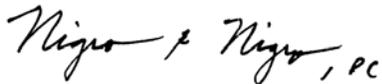
Report on Internal Control Over Compliance

Management of Cypress 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 Cypress School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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, as defined above. However, material weaknesses may exist that have not been identified.

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



Murrieta, California
December 5, 2016

Findings and Questioned Costs

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CYPRESS SCHOOL DISTRICT

*Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016*

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Unifrom Guidance, Section 200.516	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u>	
<u>10.553 & 10.555</u> <u>Child Nutrition Cluster</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Type of auditor's report issued on compliance for state programs:	<u>Unmodified</u>
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CYPRESS SCHOOL DISTRICT

*Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016*

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2015-16.

CYPRESS SCHOOL DISTRICT

*Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016*

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2015-16.

CYPRESS SCHOOL DISTRICT

*Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016*

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs in 2015-16.

CYPRESS SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2016

There were no findings or questioned costs in 2014-15.