

Pacific Elementary School District

Board of Trustees Meeting
Thursday, January 19, 2017 @ 4:00 PM
Pacific Elementary School, Davenport, CA

Pacific School Mission Statement

Pacific School's mission is to prepare children for life through experiential learning that addresses the needs of the whole child. We create a safe and secure school environment that promotes social and academic growth and develops an enthusiasm for learning, a positive self-image, and cross-cultural understanding.

All persons are encouraged to attend and, where appropriate, to participate in, meetings of the Pacific School Board of Trustees. Persons wishing to address the Board are asked to state their names for the record. Consideration of all matters is conducted in open session except for those relating to litigation, personnel, and employee negotiations, which, by law, may be considered in executive (closed) session.

Meeting facilities are accessible to persons with disabilities. By request, alternative agenda document formats are available to persons with disabilities. To arrange an alternative agenda document format or to arrange aid or services to modify or accommodate persons with a disability to participate in a public meeting, please provide a written request to: Eric Gross, Superintendent/Principal at the Pacific School District Office at least three working days prior to any public meeting.

Board Meeting Agenda

1. OPENING PROCEDURES FOR OPEN SESSION

- 1.1. Call to Order
- 1.2. Roll Call & Establishment of Quorum
 - 1.2.1. Gwyan Rhabyt, Board President
 - 1.2.2. Don Croll, Board Trustee
 - 1.2.3. Leanne Salandro, Board Trustee
- 1.3. Approval of the agenda for January 19th, 2017
 - 1.3.1. Agenda deletions, additions, or changes of sequence

2. PUBLIC COMMENTS

- 2.1. For items not on the agenda, this is an opportunity for the public to address the board directly related to school business. The Board President may allot time to those wishing to speak, but no action will be taken on matters presented (EC §35145.5).
- 2.2. For items on the agenda, the public will have the opportunity to speak at the time the agenda item is discussed. Please address the Board President.

3. REPORTS

- 3.1. Superintendent Report
- 3.2. Board Member Reports
- 3.3. School Site Council Report
- 3.4. Parents Club Report

4. CONSENT AGENDA: These matters may be passed by one roll call motion. Board

Members may remove items from the agenda for a separate discussion and vote.

4.1. Approval of Minutes of the Board Meetings on December 15th, 2016

4.2. Approval of Warrant Register

4.3. Approval hiring of Benedikte Kudahl as a SCIA

4.4. Approval of MOU with SVUSD and SLVUSD for Title III Consortium

5. PUBLIC HEARINGS

5.1. None

6. BOARD RESOLUTIONS

6.1. Resolution 2017-15 in Support of Immigrant Students

7. ITEMS TO BE TRANSACTED AND/OR DISCUSSED

7.1. Annual Financial Report – The Board will receive and discuss the fiscal audit of the 2015-16 school year.

7.2. Budget – Jean Gardner of the County Office of Education will present on the Multi Year Projections

7.3. CalPERS Discount Rate – Staff will present the local ramifications of the scheduled increase in district contributions to CalPERS.

7.4. Self Insured Schools of California's Health Care Plans – The board will discuss options and decide to alter the current choices or keep them as is.

7.5. School Calendar for 2017-18 – The Board will adopt the student and staff calendars for the 2017-18 school year.

7.6. Approval of Board Policies, Administrative Regulations, Board Bylaws, & Exhibits

7.6.1. BP & AR 3550 Food Service/Child Nutrition Program

7.6.2. BP & AR 3551 Food Service Operations/Cafeteria Fund

7.6.3. BP & AR 3552 Summer Meal Program

7.6.4. BP & AR 3553 Free And Reduced Priced Meals

7.6.5. BP & AR 3554 Other Food Sales

7.6.6. BP 3555 Nutrition Program Compliance

7.7. Safety Plan – The Board will approve the Safety Plan for the school.

7.8. Fundraising – Trustees will discuss fundraising ideas.

8. SCHEDULE OF COMING EVENTS

8.1. Next Regular Board Meeting: February 16th, 2017

9. CLOSED SESSION

10. REPORT OF ACTIONS TAKEN IN CLOSED SESSION

11. ADJOURNMENT

If requested, this agenda shall be made available in appropriate alternative formats to persons with a disability, as required by section 202 of the Americans with Disabilities Act (42 U.S.C. section 12132) and the federal rules and regulations implementing the Act. Individuals requesting a disability-related modification or accommodation may contact the District Office.

The board book for this meeting, including this agenda and any back-up materials, may be viewed or downloaded online: <http://www.pacificesd.org/governance.html> or may be viewed at the school: 50 Ocean St. Davenport CA 95017.

Translation Requests: Spanish language translation is available on an as-needed basis.

Solicitudes de Traducción: Traducciones del inglés al español y del español al inglés están disponibles en las sesiones de la mesa directiva.

Pacific Elementary 2017-18 Calendar

Event	Month	Date	Day	Notes
Teacher work days	August	16-22	Wed-Tu	5 prep days
1st day of school	August	23	Wednesday	
Labor day	September	4	Monday	
Veterans day	November	10	Friday	
Thanksgiving	November	22-24	Wed-Fri	
Professional Development	November	1	Wednesday	
Winter break	December-January	22-5	Fri-Fri	
Dr. MLK Jr. day	January	15	Monday	
Lincoln's Bday	February	16	Friday	Usually the 12th
Presidents day	February	19	Monday	
Professional Development	March	16	Friday	
Spring break	April	2-6	Mon-Fri	Easter = 16th
Memorial day	May	28	Monday	
Last day of school	June	7	Thursday	

Prep days	5
PD days	2
Student days	180
Teacher days	185

CSBA Sample

Administrative Regulation

Food Service/Child Nutrition Program

AR 3550

Business and Noninstructional Operations

Note: The following optional administrative regulation applies to food sales through the district's food service program, including the National School Lunch Program (42 USC 1751-1769j), School Breakfast Program (42 USC 1773), and Special Milk Program (42 USC 1772). The district should select all sections below that apply to programs offered by the district.

Note: See BP/AR 3552 - Summer Meal Program, AR 5148 - Child Care and Development, and AR 5148.2 - Before/After School Programs for nutrition requirements pertaining to those programs. For food sales outside the district's food service program (e.g., by student and adult organizations, through vending machines, or at student stores), see BP/AR 3554 - Other Food Sales.

Nutrition Standards for School Meals

Note: Item #1 below is for use by all districts. Education Code 49550 requires all schools to provide at least one nutritionally adequate meal each school day to students who meet federal eligibility criteria for free and reduced-price meals, regardless of whether the school receives reimbursements through the National School Lunch Program (42 USC 1751-1769j), School Breakfast Program (42 USC 1773), and/or State Meal Program (Education Code 49490-49494) or receives no funding support for school meals; see BP/AR 3553 - Free and Reduced Price Meals. Education Code 49553 defines a "nutritionally adequate meal" as one that qualifies for reimbursement under federal child nutrition program regulations. Schools participating in the National School Lunch and/or Breakfast Program must extend meal service to all students enrolled in the school.

Meals, food items, and beverages provided through the district's food services program shall: (Education Code 49531, 49553; 42 USC 1758, 1773)

1. Comply with National School Lunch and/or Breakfast Program standards for meal patterns, nutrient levels, and calorie requirements for the ages/grade levels served, as specified in 7 CFR 210.10 or 220.8 as applicable

***Note: Item #2 below reflects an additional requirement for (1) districts participating in the National School Lunch and/or Breakfast Program which choose to apply for state reimbursements for free and reduced-price meals in addition to their base reimbursement and (2) districts participating in the State Meal Program. Pursuant to Education Code 49430.7, such districts may not provide foods that are deep fried, par

fried, or flash fried. Other districts may delete or use this item at their discretion.***

Note: In addition, Education Code 49430.7 requires that foods provided by such districts not contain artificial trans fat. 7 CFR 210.10 and 220.8, as amended by 77 Fed. Reg. 17, added the same requirement to the nutrition standards for the National School Lunch and Breakfast Programs applicable to all districts; thus, the prohibition against trans fat is covered by item #1 above.

2. Not be deep fried, par fried, or flash fried, as defined in Education Code 49430 and 49430.7

(cf. 3552 - Summer Meal Program)

(cf. 3553 - Free and Reduced Price Meals)

(cf. 3554 - Other Food Sales)

(cf. 5030 - Student Wellness)

(cf. 5141.27 - Food Allergies/Special Dietary Needs)

Drinking Water

Note: The following section is for use by all districts. Pursuant to 42 USC 1758, schools participating in the National School Lunch Program are required to make free drinking water available for consumption at locations where meals are served during meal service. In addition, Education Code 38086 requires all California schools to make free drinking water available during school meal times. Pursuant to Education Code 38086, a district may be exempted from this requirement only if the Governing Board adopts a resolution, publicly noticed on at least two consecutive meeting agendas, demonstrating that the district is unable to comply due to fiscal constraints or health or safety concerns. Any district whose Board has adopted such a resolution should delete this section.

Note: Pursuant to Education Code 38086, schools may satisfy this requirement by, among other means, providing cups and containers of water or soliciting or receiving donated water. Recommendations on the California Department of Education's web site include providing chilled water, ensuring that all water fountains are clean and operational, and encouraging water consumption through marketing and advertising.

The district shall provide access to free, fresh drinking water during meal times in food service areas at all district schools, including, but not limited to, areas where reimbursable meals under the National School Lunch or Breakfast Program are served or consumed. (Education Code 38086; 42 USC 1758)

Special Milk Program

***Note: The following section is optional. The Special Milk Program (42 USC 1772; 7 CFR 215.1-215.18) is a federally funded program which assists in providing milk at reasonable prices to students in schools that do not participate in the National School Lunch or Breakfast Program. Pursuant to 7 CFR 215.1 and 215.7, districts may choose to provide milk at no charge to students who qualify for free and reduced-price meals;

see BP 3553 - Free and Reduced Price Meals.***

Any school that does not participate in the National School Lunch or Breakfast Program may participate in the Special Milk Program to provide all enrolled students with reasonably priced milk. (7 CFR 215.1)

Food Safety

Note: Pursuant to Health and Safety Code 113789, school cafeterias are among food facilities subject to the California Retail Food Code.

The Superintendent or designee shall ensure that the district's food service program meets the applicable sanitation and safety requirements of the California Retail Food Code as set forth in Health and Safety Code 113700-114437.

Note: The remainder of this section is for use by any district participating in the National School Lunch and/or Breakfast Program and may be used or revised by other districts at their discretion. 42 USC 1758 requires such districts to implement a food safety program applicable to any facility or part of a facility in which food is stored, prepared, or served. Pursuant to 42 USC 1758 and 7 CFR 210.13 and 220.7, the food safety program must comply with Hazard Analysis and Critical Control Point (HACCP) principles, which include establishing measures needed to prevent hazards at each stage of food production. Pursuant to 7 CFR 210.13, districts may implement either the "traditional" HACCP system or the simplified "process approach." Under the process approach, foods are grouped together according to preparation process and the same control measure is applied to all menu items within the group, rather than developing an HACCP plan for each item. These principles are described in the USDA's Guidance for School Food Authorities: Developing a School Food Safety Program Based on the Process Approach to HACCP Principles.

For all district schools participating in the National School Lunch and/or School Breakfast Program, the Superintendent or designee shall implement a written food safety program for the storage, preparation, and service of school meals which complies with the national Hazard Analysis and Critical Control Point (HACCP) system. The district's HACCP plan shall include, but is not limited to, a determination of critical control points and critical limits at each stage of food production, monitoring procedures, corrective actions, and recordkeeping procedures. (42 USC 1758; 7 CFR 210.13, 220.7)

Note: The following paragraph is optional. The USDA's Guidance for School Food Authorities: Developing a School Food Safety Program Based on the Process Approach to HACCP Principles recommends that proper staff training is a necessary component of an effective food safety program.

The Superintendent or designee shall provide ongoing staff development on food safety to food service managers and employees. Each new employee, including a substitute, or volunteer shall complete initial food safety training prior to handling food. The Superintendent or designee shall document the date, trainer, and subject of each training.

(cf. 4231 - Staff Development)

Note: The following paragraph is optional. The USDA's Guidance for School Food Authorities: Developing a School Food Safety Program Based on the Process Approach to HACCP Principles states that districts should maintain the following types of records in order to periodically review the food safety program and, in the event of a foodborne illness, to document that reasonable care was exercised in the operation of the school's food service program.

The Superintendent or designee shall assign staff to maintain records and logs documenting food safety activities, including, but not limited to, records of food deliveries, time and temperature monitoring during food production, equipment temperature (freezer, cooler, thermometer calibration), corrective actions, verification or review of safety efforts, and staff training.

Inspection of Food Facilities

Note: Health and Safety Code 113725-113725.3 require all food facilities in California to be inspected by the county environmental health agency in accordance with the timelines and procedures established in county regulations. The inspections cover all food service areas, including cafeterias, vending machines, and mobile food carts. Health and Safety Code 113725 specifies findings that would be considered violations, including (1) improper holding temperatures, improper cooling, or inadequate cooking of potentially hazardous foods (i.e., foods that require temperature control); (2) poor personal hygiene of food service employees; (3) contaminated equipment; and (4) food from unapproved sources.

All food preparation and service areas shall be inspected in accordance with Health and Safety Code 113725-113725.1 and applicable county regulations.

Note: The following paragraph is for use by districts participating in the National School Lunch and/or Breakfast Program. Notwithstanding the requirements of county regulations, districts participating in these programs must obtain at least two safety inspections each school year.

Each school participating in the National School Lunch and/or Breakfast Program shall, during each school year, obtain a minimum of two food safety inspections conducted by the county environmental health agency. (42 USC 1758; 7 CFR 210.13, 220.7)

The Superintendent or designee shall retain records from the most recent food safety inspection. All schools shall post a notice indicating that the most recent inspection report is available to any interested person upon request. (Health and Safety Code 113725.1; 42 USC 1758; 7 CFR 210.13, 210.15, 220.7)

(cf. 1340 - Access to District Records)

(cf. 3580 - District Records)

(3/11 7/12) 3/16

CSBA Sample

Administrative Regulation

Food Service Operations/Cafeteria Fund

AR 3551

Business and Noninstructional Operations

Payments for Meals

Note: State and federal law (Education Code 49550; 42 USC 1758, 1773) require that all students eligible for free and reduced-price meals receive a reimbursable meal during each school day which must be the same meal choice offered to noneligible students; see BP/AR 3553 - Free and Reduced Price Meals. California Department of Education (CDE) Management Bulletin USDA-SNP-01-2008 clarifies that districts therefore cannot serve an alternate meal (i.e., a meal that is different than the day's advertised meal) to a student eligible for reduced-price meals who does not have the ability to pay or who fails to provide a meal ticket or other medium of exchange on a given day. However, payment and pricing policies for full-price meals are at the discretion of the district and may include decisions on whether or not to extend credit or provide an alternate meal to students in the event of nonpayment.

Note: The following optional section includes recommendations of the CDE's Management Bulletin and the U.S. Department of Agriculture's (USDA) "FAQs About School Meals" on the USDA's web site and may be revised to reflect district practice.

With the exception of students who are eligible to receive meals at no cost, students may pay on a per-meal basis or may submit payments in advance. The Superintendent or designee shall maintain a system for accurately recording payments received and tracking meals provided to each student.

(cf. 3550 - Food Service/Child Nutrition Program)
(cf. 3552 - Summer Meal Program)
(cf. 3553 - Free and Reduced Price Meals)
(cf. 3555 - Nutrition Program Compliance)

At the beginning of the school year, parents/guardians shall be notified of the district's meal payment policies and encouraged to prepay for meals whenever possible.

(cf. 1113 - District and School Web Sites)

Students and their parents/guardians shall be notified whenever their account has a zero balance. Whenever a student's account has an unpaid balance of \$50 or more, parents/guardians shall be notified in writing that full payment is due within seven school days from the date of the notice.

In cases of repeated nonpayment by a student, the Superintendent or designee may contact parents/guardians to discuss the reasons for the nonpayment. The Superintendent or designee may evaluate individual circumstances to determine if the student's parents/guardians need assistance completing an application for free or reduced-price meals or need referral to social services.

Note: The following optional paragraph may be revised to reflect district practice. According to the USDA's "FAQs About School Meals," any district that participates in the National School Lunch and/or Breakfast Program (42 USC 1751-1769j, 1773) and has one or more schools which use a system of meal tickets (or tokens, cards, or other similar medium of exchange) may limit the number of lost or stolen tickets it will replace for students each school year, as long as the limit is set at three or more. However, such a limit may only be established if the school (1) advises students and parents/guardians of the district's rules regarding replacement tickets at the beginning of the school year and/or when applications for free and reduced-price meals are distributed or approved; (2) issues at least one advance warning to the student or his/her parent/guardian prior to refusing to issue a replacement ticket; and (3) does not deny meals to prekindergarten or younger primary students or students with disabilities who may be unable to take full responsibility for their meal tickets. Although these requirements apply only to students who qualify for free or reduced-price meals, the USDA recommends that districts apply the same limits for students who pay full price for their meals in order to ensure that needy students are not overtly identified because of a disparate ticket replacement policy.

In any school that uses a system of meal tickets or other similar medium of exchange rather than an electronic point-of-sale system, the Superintendent or designee shall develop a process for providing replacement tickets to any student who reports his/her tickets as lost or stolen. However, whenever any student reports an excessive number of lost or stolen tickets, the Superintendent or designee shall notify the parent/guardian and may provide an alternative method of tracking meal usage for that student.

In order to avoid potential misuse of a student's food service account by someone other than the student in whose name the account has been established, the Superintendent or designee shall verify a student's identity when setting up the account and when charging any meal to the account. The Superintendent or designee shall investigate any claim that a bill does not belong to a student or is inaccurate, shall not require a student to pay a bill that appears to be the result of identity theft, and shall open a new account with a new account number for a student who appears to be the subject of identity theft.

(cf. 1340 - Access to District Records)
(cf. 3580 - District Records)

Reimbursement Claims

Note: To streamline administration of state and federal meal programs, the CDE has developed an online Child Nutrition Information and Payment System which must be used to submit reimbursement claims and to submit and track the status of applications and USDA food requests.

The Superintendent or designee shall maintain records of the number of meals served each day by school site and by category of free, reduced-price, and full-price meals. The Superintendent or designee shall submit reimbursement claims for school meals to the California Department of Education (CDE) using the online Child Nutrition Information and Payment System.

Cafeteria Fund

Note: Education Code 38091 authorizes the Governing Board to establish one or more cafeteria revolving accounts to be treated as revolving cash accounts of the cafeteria fund.

All proceeds from food sales and other services offered by the cafeteria shall be deposited in the cafeteria fund as provided by law. The income and expenditures of any cafeteria revolving account established by the Governing Board shall be recorded as income and expenditures of the cafeteria fund. (Education Code 38090, 38091)

(cf. 3100 - Budget)

(cf. 3300 - Expenditures and Purchases)

Note: Education Code 38100-38103 specify allowable expenditures from the cafeteria fund. AB 86 (Ch. 48, Statutes of 2013) repealed Education Code 38102, which had authorized the establishment of a cafeteria equipment reserve fund to be used for the purchase, lease, maintenance, or replacement of cafeteria equipment.

The cafeteria fund shall be used only for those expenditures authorized by the Board as necessary for the operation of school cafeterias in accordance with Education Code 38100-38103, 2 CFR 225, and the California School Accounting Manual. (Education Code 38091, 38101; 2 CFR 225)

Any charges to, or transfers from, a food service program shall be dated and accompanied by a written explanation of the expenditure's purpose and basis. (Education Code 38101)

(cf. 3110 - Transfer of Funds)

Note: The following optional paragraph may be revised to reflect district practice. 2 CFR 225 and USDA guidance, Indirect Costs: Guidance for State Agencies and School Food Authorities, provide information regarding allowable indirect costs that may be charged to the nonprofit school food service account. Indirect costs are those that are incurred for the benefit of multiple programs or objectives and typically support administrative overhead functions (e.g., accounting, payroll, purchasing, utilities, janitorial services). Each program or objective that benefits from the indirect cost bears a commensurate portion of the cost. Costs may be charged to the nonprofit food service account only if properly documented.

Indirect costs charged to the food service program shall be based on either the district's

prior year indirect cost rate or the statewide average approved indirect cost rate for the second prior fiscal year, whichever is less. (Education Code 38101)

Note: Pursuant to 2 CFR 210.2 and 210.14, net cash resources (i.e., all monies that have accrued to the nonprofit school food service at any given time, less cash payable) should not exceed three months average expenditures. If there is a surplus, then according to USDA guidance, Indirect Costs: Guidance for State Agencies and School Food Authorities, the district must lower the price of paid lunches, improve food quality, or make other improvements to school meal operations. The spending plan developed by the district under such circumstances must be approved by the CDE.

Net cash resources in the nonprofit school food service shall not exceed three months average expenditures. (2 CFR 210.14)

U.S. Department of Agriculture Foods

Note: The following optional section is for use by districts that participate in the National School Lunch Program and receive foods from the USDA pursuant to 42 USC 1755 and 7 CFR 250.1-250.70. The CDE is responsible for ordering and distributing USDA foods for use in California schools. Pursuant to 42 USC 1758, the USDA must ensure that foods offered through this program reflect the most recent Dietary Guidelines for Americans.

The Superintendent or designee shall ensure that foods received through the U.S. Department of Agriculture (USDA) are handled, stored, and distributed in facilities which: (7 CFR 250.14)

1. Are sanitary and free from rodent, bird, insect, and other animal infestation
2. Safeguard foods against theft, spoilage, and other loss
3. Maintain foods at proper storage temperatures
4. Store foods off the floor in a manner to allow for adequate ventilation
5. Take other protective measures as may be necessary

The Superintendent or designee shall maintain inventories of USDA foods in accordance with 7 CFR 250.59 and CDE procedures, and shall ensure that foods are used before their expiration dates.

USDA foods shall be used in school lunches as far as practicable. USDA foods also may be used in other nonprofit food service activities, including, but not limited to, school breakfasts or other meals, a la carte foods sold to students, meals served to adults directly involved in the operation and administration of the food service and to other school staff, and training in nutrition, health, food service, or general home economics instruction for students, provided that any revenues from such activities accrue to the district's nonprofit food service account. (7 CFR 250.60)

Contracts with Outside Services

Note: The following optional section is for use by districts that contract for food service management services pursuant to Education Code 49554, 42 USC 1758, or 7 CFR 210.16 or consulting services pursuant to Education Code 45103.5, and should be modified to reflect the type(s) of contracts in the district; see the accompanying Board policy.

The term of any contract for food service management or consulting services shall not exceed one year. Any renewal of the contract or further requests for proposals to provide such services shall be considered on a year-to-year basis. (Education Code 45103.5; 7 CFR 210.16)

Any contract for management of the food service operation shall be approved by CDE and comply with the conditions in Education Code 49554 and 7 CFR 210.16 as applicable. The district shall retain control of the quality, extent, and general nature of its food services, including prices to be charged to students for meals, and shall monitor the food service operation through periodic on-site visits. The district shall not enter into a contract with a food service company to provide a la carte food services only, unless the company agrees to offer free, reduced-price, and full-price reimbursable meals to all eligible students. (Education Code 49554; 42 USC 1758; 7 CFR 210.16)

Any contract for consulting services shall not result in the supervision of food service classified staff by the management consultant, nor shall it result in the elimination of any food service classified staff or position or have any adverse effect on the wages, benefits, or other terms and conditions of employment of classified food service staff or positions. All persons providing consulting services shall be subject to applicable employment conditions related to health and safety as listed in Education Code 45103.5. (Education Code 45103.5)

(cf. 3312 - Contracts)

(cf. 3515.6 - Criminal Background Checks for Contractors)

(cf. 3600 - Consultants)

(cf. 4112.4/4212.4/4312.4 - Health Examinations)

(cf. 4212 - Appointments and Conditions of Employment)

(11/07 3/11) 12/13

CSBA Sample

Administrative Regulation

Summer Meal Program

AR 3552

Business and Noninstructional Operations

***Note: The following optional administrative regulation is for use by any district that has been approved by the California Department of Education (CDE) to serve as a program sponsor under the federally funded Seamless Summer Feeding Option (SSFO) or Summer Food Service Program (SFSP), pursuant to 42 USC 1761 (as amended by P.L. 111-80) and 7 CFR 225.1-225.20. The district should select the section(s) below that correspond to the program(s) offered by the district. ***

Site Selection

***Note: The following section is for use by districts that participate in either the SSFO or SFSP. ***

In identifying locations where summer meals may be provided, the Superintendent or designee shall document site eligibility according to the following criteria: (7 CFR 225.2, 225.15)

1. Open Site: The site provides meals to all children in the area and is located at a school or nonschool site within the geographical boundaries of a school attendance area where at least 50 percent of the children are eligible for free or reduced-price meals.

(cf. 3553 - Free and Reduced Price Meals)

2. Restricted Open Site: The site initially meets the criteria of an "open site," but the district must restrict or limit participation on a first-come, first-served basis due to security, safety, or control concerns.

3. Closed Enrolled Site: The site is open only to enrolled children, as opposed to the community at large, and at least 50 percent of the enrolled children at the site are eligible for free or reduced price school meals, as determined by approval of applications in accordance with 7 CFR 225.15(f).

***Note: The following optional paragraph is for use by districts that offer meals during summer school session. 7 CFR 225.14 requires such districts to make summer meals available to all children in the community, not just those enrolled in summer school. Districts that offer meals only to students enrolled in summer school and not to other children in the community are not eligible to receive reimbursements under SSFO or SFSP, but may continue to provide meals through the National School Lunch or Breakfast Program (42 USC 1751-1769h, 1773; 7 CFR 210.1-210.31, 220.1-220.21). ***

Whenever the district offers the summer meal program at a site that provides summer school sessions, it shall ensure that the site is open to students enrolled in summer school and to all children residing in the area served by the site. (7 CFR 225.14)

(cf. 3555 - Nutrition Program Compliance)
(cf. 6177 - Summer School)

Meal Service

***Note: The following section is for use by districts that participate in either the SSFO or SFSP. The district may revise the following paragraph to reflect meals provided by the district. ***

In accordance with the district's agreement with the California Department of Education (CDE), the summer meal program may offer breakfast, morning snack, lunch, afternoon snack, and/or supper. The program may provide up to two meals/snacks per day in any combination, except that lunch and supper shall not be provided by the same site on the same day. Sites that primarily serve children from migrant families may apply to serve up to three meals, or two meals and one snack, per day. All meals/snacks shall be provided within the time periods specified in 7 CFR 225.16. (42 USC 1761; 7 CFR 225.16)

(cf. 3551 - Food Service Operations/Cafeteria Fund)
(cf. 5030 - Student Wellness)

Meals provided through the district's summer meal program shall be available at no cost to: (42 USC 1761; 7 CFR 225.2)

1. Children age 18 or younger
2. Persons over age 18 who meet the CDE's definition of having a physical or mental disability and who are participating in a public or nonprofit private school program established for individuals with a disability

(cf. 6164.4 - Identification of Individuals for Special Education)

***Note: The following paragraph is optional. The U.S. Department of Agriculture's (USDA) The Summer Food Service Program: Food That's In When School is Out, 2010 Administrative Guidance for Sponsors encourages sponsors to designate a site supervisor for each site, as specified below. ***

The Superintendent or designee shall designate a person at each participating site to serve as the program's site supervisor. The site supervisor shall oversee the order or preparation of meals, ensure the site is cleaned before and after the meal, and record the number of complete meals served to eligible children each day.

Additional Requirements for Seamless Summer Feeding Option

***Note: In addition to the requirements in the "Site Selection" and "Meal Service" sections above, districts participating in SSFO are subject to the requirements in the following optional section. Districts that participate in SSFO also participate in the National School Lunch or Breakfast Program (42 USC 1751-1769, 1773) and have one agreement with the CDE for their entire food services operation. ***

All meals offered through the summer meal program shall meet menu planning requirements for the National School Lunch or Breakfast Program pursuant to 7 CFR 210.10 or 7 CFR 220.8. (42 USC 1761)

(cf. 3550 - Food Service/Child Nutrition Program)
(cf. 5141.27 - Food Allergies/Special Dietary Needs)

***Note: The following optional paragraph should be revised to reflect district practice. As part of the application process, districts applying to participate in the SSFO and operate an open site are required to describe how each site will advertise the availability of meal services to children in the community. The CDE's web site specifies that districts must have a large banner or marquee demonstrating that the meal service is available to all children in the community. Additional sample outreach materials, including a flyer translated into multiple languages, a poster, and a template letter for web sites, are available through the CDE. ***

***Note: According to the CDE's Frequently Asked Questions, the district should maintain documentation, such as copies of advertisements, flyers, or radio or TV announcements, so that the advertising method can be confirmed during a CDE review. ***

Whenever the district operates an open site as defined in the section entitled "Site Selection" above, the Superintendent or designee shall advertise the availability of summer meal services to the neighborhood community. A large banner or marquee shall be prominently displayed at each site before and during the meal service. Other outreach strategies may include, but are not limited to, sending a news release to the local media, distributing a flyer to parents/guardians of district students, posting information on the district or school web site, and placing posters throughout the community.

(cf. 1100 - Communication with the Public)
(cf. 1112 - Media Relations)
(cf. 1113 - District and School Web Sites)

***Note: Meals provided through the SSFO are reimbursed at the same rate applicable to free meals served through the National School Lunch or Breakfast Program. Reimbursement claims for meals served through the SSFO must be submitted through the CDE's online Child Nutrition Information and Payment System as part of the district's National School Lunch or Breakfast Program claim. ***

At the point of service, on-site staff shall count the number of eligible meals served.

Reimbursement claims shall be submitted using the same procedure used during the school year for the National School Lunch or Breakfast Program.

***Note: According to the USDA's National School Lunch Program's Seamless Summer Option Questions and Answers, each SSFO site must be locally reviewed at least once each year unless this requirement is waived by the CDE. The site monitoring review should be completed using a form available from the CDE. State review of local SSFO programs occurs every five years during the CDE's Coordinated Review Effort process. ***

Each year the Superintendent or designee shall conduct at least one review of each site to ensure its compliance with meal counting, claiming, menu planning, and food safety requirements. For newly established sites, such reviews shall be conducted within three weeks of the start of operation.

Additional Requirements for Summer Food Service Program

***Note: In addition to the requirements in the "Site Selection" and "Meal Service" sections above, districts participating in SFSP are subject to the requirements in the following optional section. The SFSP requires annual approval of the program from the CDE. ***

The district shall annually submit to the CDE a program application and budget for anticipated operational and administrative costs.

***Note: 7 CFR 225.15 requires districts that sponsor open sites, as defined in item #1 in the section entitled "Site Selection" above, to send a notice to the media publicizing the availability of the program. A sample news release is available in the USDA's The Summer Food Service Program: Food That's In When School is Out, 2010 Administrative Guidance for Sponsors. ***

The Superintendent or designee shall annually send a notice to the media serving the area from which the district draws its attendance regarding the availability of free meals. (7 CFR 225.15)

(cf. 1112 - Media Relations)

***Note: According to the USDA's 2010 Administrative Guidance for Sponsors, in addition to the media notice described above, the district is required to take the actions specified in items #1-4 below to inform the community about the program. ***

In addition, the district and each open site shall:

1. Make program information available to the public upon request
2. Make reasonable efforts to provide information in the appropriate translation concerning the availability and nutritional benefits of the program

3. Display, in a prominent place at the site and in the district office, the nondiscrimination poster developed or approved by the U.S. Department of Agriculture's Food and Nutrition Service

4. Include the nondiscrimination statement and instructions for filing a complaint in the public release and in any program information directed to parents/guardians of participants and potential participants

(cf. 0410 - Nondiscrimination in District Programs and Activities)

(cf. 1100 - Communication with the Public)

(cf. 1113 - District and School Web Sites)

***Note: CDE Management Bulletin USDA-SFSP-06-2008 states that sponsors of open sites are also required to post signage as provided in item #5 below. ***

5. Post signage, such as a banner, marquee, poster, or other large display on the exterior of the building facing the street nearest the entrance of the meal service area at each site, before the meal service begins and throughout the service time

All meals offered through the summer meal program shall meet U.S. Department of Agriculture minimum meal patterns as specified in 7 CFR 225.16 or the meal patterns required for the National School Lunch and Breakfast Programs. (42 USC 1761; 7 CFR 225.16)

(cf. 3550 - Food Service/Child Nutrition Program)

(cf. 5141.27 - Food Allergies/Special Dietary Needs)

The Superintendent or designee shall submit to the CDE monthly reimbursement claims based on the number of eligible meals served.

***Note: 42 USC 1761 and 7 CFR 225.15 and 225.7 require the district to provide training for program administrative and site personnel as provided below. In addition, administrative personnel must participate in mandatory training conducted by the CDE each year before the CDE will approve the SFSP agreement. ***

Program administrative personnel shall annually attend mandatory training provided by the CDE. In addition, the Superintendent or designee shall annually hold program training sessions for administrative and site personnel and shall allow no site to operate until personnel have attended at least one of these training sessions. Training of site personnel shall include, but not be limited to, the purpose of the program, site eligibility, record keeping, site operations, meal pattern requirements, and the duties of a program monitor. The Superintendent or designee shall provide training throughout the summer to ensure that administrative personnel are thoroughly knowledgeable in all required areas of program administration and operation and are provided with sufficient information to carry out their program responsibilities. Each site shall have present at each meal service at least one person who has received this training. (42 USC 1761; 7 CFR 225.15, 225.7)

(cf. 4231 - Staff Development)
(cf. 4331 - Staff Development)

***Note: In addition to the self-reviews required by 7 CFR 225.15 as described below, districts are subject to reviews by the CDE at least once every three years, and more frequently under some circumstances, in accordance with 7 CFR 225.7. ***

The Superintendent or designee shall monitor program operations by conducting site visits prior to opening a new site, during the first week of operation, during the first four weeks of operation, and then at a reasonable level thereafter. (7 CFR 225.15)

The Superintendent or designee shall retain all records pertaining to the program for a period of three years after the end of the fiscal year to which they pertain. (7 CFR 225.6, 225.15)

(cf. 3580 - District Records)

CSBA Sample

Administrative Regulation

Free And Reduced Price Meals

AR 3553

Business and Noninstructional Operations

Note: Education Code 49550 requires all districts to provide at least one nutritionally adequate meal during each school day to low-income students, defined in Education Code 49552 as those who meet federal eligibility criteria for free and reduced-price meals. The following administrative regulation is for use by all districts, regardless of whether they receive reimbursement for free and reduced-price meals through the National School Lunch and/or Breakfast Program (42 USC 1758, 1773) and/or the State Meal Program (Education Code 49490-49494).

Applications

Note: The California Department of Education's (CDE) Management Bulletin USDA-SNP-07-2010 clarifies that it is the responsibility of the district to ensure that applications for free and reduced-price meals and free milk meet the requirements of law. Model application forms are available from the CDE in several formats and in both English and Spanish.

The Superintendent or designee shall ensure that the district's application form for free and reduced-price meals and related materials include the statements specified in Education Code 49557 and 7 CFR 245.5. The district's application packet shall include the notifications and information listed in Education Code 49557.2.

(cf. 3550 - Food Service/Child Nutrition Program)
(cf. 3551 - Food Service Operations/Cafeteria Fund)
(cf. 3552 - Summer Meal Program)

The application form and related information shall be distributed in paper form to all parents/guardians at the beginning of each school year and shall be available to students at all times during the school day. (Education Code 48980, 49520; 42 USC 1758; 7 CFR 245.5)

(cf. 5145.6 - Parental Notifications)

Note: The following paragraph may be revised to reflect district practice. In addition to the paper application form described above, Education Code 49557, as amended by SB 708 (Ch. 390, Statutes of 2015), authorizes districts to make the application for free or reduced-price meals available online. Any such online application must comply with specific requirements, including, but not limited to, the provision of clear instructions for families that are homeless or are migrants.

In addition, the district application form for free and reduced price meals shall be available online. The online application form shall require completion of only those questions necessary for determining eligibility, contain clear instructions for families that are homeless or migrant, and comply with other requirements specified in Education Code 49557.

Note: According to the U.S. Department of Agriculture's Eligibility Manual for School Meals: Determining and Verifying Eligibility, households enrolling a new student after the start of the school year must also be provided an application and related materials.

An application form and related information shall also be provided whenever a new student is enrolled.

At the beginning of each school year, the Superintendent or designee shall send a public release, containing the same information supplied to parents/guardians and including eligibility criteria, to local media, the local unemployment office, and any major employers in the district attendance area contemplating large layoffs. Copies of the public release shall be made available upon request to any interested person. (7 CFR 245.5)

Eligibility

Note: Districts are responsible for determining students' eligibility for free and reduced-price meals in accordance with criteria established by the CDE consistent with 42 USC 1758 and 1773 and 7 CFR 245.3. Family income levels that qualify for free or reduced-price meals, by household size, are annually posted on the CDE's web site.

Note: Pursuant to 42 USC 1769c, a district that has demonstrated a high level of, or a high risk for, administrative error may be required to implement a second-level, independent review of the eligibility determination for each application. Such districts also will be subject to additional CDE reporting requirements.

The Superintendent or designee shall determine students' eligibility for the free and reduced-price meals program based on the criteria specified in 42 USC 1758 and 1773 and 7 CFR 245.1-245.13 and made available by the California Department of Education.

***Note: Pursuant to 42 USC 1758, districts must directly certify for enrollment in the free and reduced-price meals program students who participate in the CalFresh program or California Work Opportunity and Responsibility to Kids (CalWORKs) program. 42 USC 1758 also authorizes, but does not require, districts to directly certify as eligible a student who is homeless, migratory, or a foster youth. For purpose of direct certification, districts may obtain data through the California Longitudinal Pupil Achievement Data System (CALPADS) or may enter into a local agreement with the county department of social or welfare services to match enrollment data. Pursuant to Education Code 49561 and 42 USC 1758, no additional application or further action is required by the household of students who are directly certified. Further information about direct certification and other eligibility issues is available in the USDA's Eligibility Guidance for

School Meals Manual.***

Note: Pursuant to 42 USC 1759a, certain districts located in high poverty areas may be eligible to participate in alternative processes for annual determinations of student eligibility for free and reduced-price meals (Provisions 1, 2, 3, and 4). Districts participating in these alternative processes should revise the following section to reflect district practice.

When authorized by law, participants in other federal or state programs may be directly certified, without further application, for enrollment in the free and reduced-price meals program. (Education Code 49561; 42 USC 1758)

(cf. 6173 - Education for Homeless Children)
(cf. 6173.1 - Education for Foster Youth)
(cf. 6175 - Migrant Education Program)

Verification of Eligibility

Not later than November 15 of each year, the Superintendent or designee shall verify the eligibility of a sample of household applications approved for the school year in accordance with the sample sizes and procedures specified in 42 USC 1758 and 7 CFR 245.6a. (42 USC 1758; 7 CFR 245.6a)

If the review indicates that the initial eligibility determination is correct, the Superintendent or designee shall verify the approved household application. If the review indicates that the initial eligibility determination is incorrect, the Superintendent or designee shall: (42 USC 1758; 7 CFR 245.6a)

1. If the eligibility status changes from reduced price to free, make the increased benefits immediately available and notify the household of the change in benefits
2. If the eligibility status changes from free to reduced price, first verify the application, then notify the household of the correct eligibility status, and, when required by law, send a notice of adverse action as described below
3. If the eligibility status changes from free or reduced price to paid, send the household a notice of adverse action as described below

If any household is to receive a reduction or termination of benefits as a result of verification activities, or if the household fails to cooperate with verification efforts, the Superintendent or designee shall reduce or terminate benefits, as applicable, and shall properly document and retain on file in the district the reasons for ineligibility. He/she also shall send a notice of adverse action to any household that is to receive a reduction or termination of benefits. Such notice shall be provided 10 days prior to the actual reduction or termination of benefits. The notice shall advise the household of: (7 CFR 245.6a)

1. The change and the reasons for the change

2. The right to appeal, when the appeal must be filed to ensure continued benefits while awaiting a hearing and decision, and instructions on how to appeal
3. The right to reapply at any time during the school year

Confidentiality/Release of Records

Note: The following section is for use by districts that have adopted a policy, pursuant to Education Code 49558, allowing district employees to use individual records of students eligible for the free and reduced-price meals program for the purpose of disaggregation of academic achievement data and, although not expressly authorized by law, for the identification of students eligible for alternative supports in schools identified for program improvement. See the accompanying Board policy and BP/AR 0520.2 - Title I Program Improvement Schools.

Note: It is recommended that the district designate by name or job title the employee(s) authorized to use records for these purposes. Districts should identify the specific title(s) of the designated employee(s) in the space provided below, such as Title I Coordinator.

The Superintendent designates the following district employee(s) to use individual records pertaining to student participation in the free and reduced-price meals program for the purpose of disaggregation of academic achievement data or for the identification of students who are eligible for alternative supports in a Title I program improvement school:

(title or position)

In using the records for such purposes, the Superintendent or designee shall ensure that: (Education Code 49558)

1. No individual indicators of participation in the free and reduced-price meals program are maintained in the permanent records of any student if not otherwise allowed by law.

(cf. 5125 - Student Records)

2. Information regarding individual student participation in the free and reduced-price meals program is not publicly released.

(cf. 4119.23/4219.23/4319.23 - Unauthorized Release of Confidential/Privileged Information)

3. All other confidentiality provisions required by law are met.
4. Information collected regarding individual students certified to participate in the free

and reduced-price meals program is destroyed when no longer needed for its intended purpose.

Nondiscrimination Plan

The district's plan for students receiving free or reduced-price meals shall ensure the following: (Education Code 49557; 42 USC 1758)

1. The names of the students shall not be published, posted, or announced in any manner, or used for any purpose other than the National School Lunch and School Breakfast Programs, unless otherwise provided by law.
2. There shall be no overt identification of any of the students by the use of special tokens or tickets or by any other means.
3. The students shall not be required to work for their meals or for milk.
4. The students shall not be required to use a separate dining area, go through a separate serving line or entrance, or consume their meals or milk at a different time.

(cf. 0410 - Nondiscrimination in District Programs and Activities)
(cf. 3555 - Nutrition Program Compliance)

When more than one lunch, breakfast, or type of milk is offered, the students shall have the same choice of meals or milk as is available to those students who pay the full price. (Education Code 49557; 7 CFR 245.8)

Prices

Note: The following section is for use by districts that provide reduced-price meals to students through the National School Lunch and/or Breakfast Program pursuant to 42 USC 1758 and 1773.

The maximum price that shall be charged to eligible students for reduced-price meals shall be 40 cents for lunch and 30 cents for breakfast. (42 USC 1758, 1773)

(3/11 3/16) 7/16

CSBA Sample

Administrative Regulation

Other Food Sales

AR 3554

Business and Noninstructional Operations

Requirements for Schools Not Participating in Federal Meal Program

Note: The following section is for use by districts that have one or more schools that do not participate in the National School Lunch and/or Breakfast Program (42 USC 1751-1769j, 1773). Requirements for other schools are described below in the section "Requirements for Schools Participating in Federal Meal Program."

Note: Food sales outside the district's food service program that occur on school premises during the school day are subject to the nutrition standards specified in Education Code 49431-49431.7, as amended by AB 626 (Ch. 706, Statutes of 2013). These include nutrition standards for foods in elementary schools (Education Code 49431) and middle and high schools (Education Code 49431.2) and for beverages in all schools (Education Code 49431.5), as well as a prohibition against the sale of foods containing artificial trans fat at any grade level (Education Code 49431.7). See AR 3550 - Food Service/Child Nutrition Program for further information regarding nutrition standards.

Food and beverage sales outside the district's food service program shall comply with applicable nutritional standards specified in Education Code 49431-49431.7 and 5 CCR 15500-15501 and 15575-15578.

(cf. 3550 - Food Service/Child Nutrition Program)

(cf. 5030 - Student Wellness)

(cf. 5141.27 - Food Allergies/Special Dietary Needs)

Note: Pursuant to Education Code 49431-49431.5, foods and beverages that do not comply with state nutrition standards may be sold outside of the district's food services program under certain conditions. As amended by AB 626 (Ch. 706, Statutes of 2013), Education Code 49431-49431.5 provide that the same requirements apply to sales of both foods and beverages and to all grade levels. AB 626 also amended Education Code 49431 and 49431.5 to eliminate the requirement that sales of noncompliant foods and beverages in elementary schools only be allowed if the items are sold by students of the school.

The sale of foods or beverages that do not comply with the standards in Education Code 49431-49431.5 may be permitted in either of the following circumstances: (Education Code 49431-49431.5)

1. The sale takes place off and away from school premises.
2. The sale takes place on school premises at least one-half hour after the end of the school day.

(cf. 1230 - School-Connected Organizations)
(cf. 1321 - Solicitations of Funds from and by Students)
(cf. 6145 - Extracurricular and Cocurricular Activities)

Requirements for Schools Participating in Federal Meal Program

Note: The following section is for use by districts that have one or more schools participating in the National School Lunch and/or Breakfast Program (42 USC 1751-1769j, 1773). 7 CFR 210.11 and 220.12 mandate that such districts adopt rules and regulations to ensure compliance with federal requirements for competitive foods.

Note: Pursuant to 42 USC 1779, the U.S. Secretary of Agriculture has established nutrition standards which are consistent with the most recent Dietary Guidelines for Americans and apply to all foods sold outside the school meal programs on school campuses at any time during the school day. These standards are contained in 7 CFR 210.11 and 220.12, as amended by 78 Fed. Reg. 125, and must be implemented by July 1, 2014.

Note: Note that, in some instances, state nutrition standards (Education Code 49431-49431.7) may be stricter than federal standards. In such cases, the stricter standard prevails. In addition, although 7 CFR 210.11 and 220.12 allow states to adopt criteria for special exemptions from nutrition standard compliance for infrequent school-sponsored fundraisers, the California Department of Education (CDE) provides no exemption. Thus, all infrequent school-sponsored fundraisers are subject to the same rules as other outside food sales.

For any district school participating in the National School Lunch and/or Breakfast Program, food and beverage sales conducted outside the district's food service program on school campuses during the school day shall comply with applicable nutritional standards specified in 7 CFR 210.11 and 220.12 or with state nutrition standards in Education Code 49431-49431.7 and 5 CCR 15500-15501 and 15575-15578, whichever rule is stricter.

Note: As amended by 78 Fed. Reg. 125, 7 CFR 210.11 adds the following definition of "school day" for purposes of the regulations governing competitive food and beverage sales.

These standards shall apply to all competitive foods and beverages sold from midnight before the school day to one-half hour after the end of the school day. (7 CFR 210.11)

***Note: The remainder of this section reflects 5 CCR 15500-15501 pertaining to sales by student organizations in schools that participate in a federal meal program, but delegates to the Superintendent or designee the responsibility for approval of the

specific food item to be sold; see the accompanying Board policy.***

***Note: To the extent that any Title 5 requirement conflicts with the nutrition standards specified in Education Code 49431-49431.7 or federal law, the stricter standard prevails. Thus, although 5 CCR 15500 provides that a student organization may only sell a dessert-type item, such as a pastry, ice cream, or fruit, stricter state and federal nutrition standards supersede and so this provision is not reflected in the list below. ***

Note: Items #1-6 below are for use by districts that maintain any of grades K-8.

In a school with any of grades K-8 that is participating in the National School Lunch and/or Breakfast Program, the Superintendent or designee shall not permit the sale of foods by a student organization except when all of the following conditions are met: (5 CCR 15500)

1. The student organization sells only one food item per sale.
2. The specific nutritious food item is approved by the Superintendent or designee in accordance with Board policy.
3. The sale does not begin until after the close of the regularly scheduled midday food service period.
4. The sale during the regular school day is not of food items prepared on the premises.
5. There are no more than four such sales per year per school.
6. The food sold is not one sold in the district's food service program at that school during that school day.

Note: Items #1-4 below are for use by districts that maintain middle schools or high schools.

In any middle or high school, a student organization may be approved to sell food items during or after the school day if all of the following conditions are met: (5 CCR 15501)

1. Only one student organization conducts a food sale on a given school day and the organization sells no more than three types of food or beverage items, except that up to four days during the school year may be designated on which any number of organizations may conduct the sale of any food items.
2. The specific nutritious food items are approved by the Superintendent or designee in accordance with Board policy.
3. Food items sold during the regular school day are not prepared on the premises.
4. The food items sold are not those sold in the district's food service program at that

school during that school day.

Note: 7 CFR 210.11, as amended by 78 Fed. Reg. 125, requires the district to maintain specified records.

The Superintendent or designee shall maintain records, and shall require organizations selling foods and beverages to maintain records, to document compliance with federal nutrition standards for all competitive foods and beverages sold through and outside the district's food services program. At a minimum, these records shall include receipts, nutrition labels, and/or product specifications. (7 CFR 210.11)

(11/05 11/07) 12/13

Pacific Elementary School District

Board of Trustees Meeting
Thursday, December 15, 2016 @ 4:00 PM
Pacific Elementary School, Davenport, CA

Pacific School Mission Statement

Pacific School's mission is to prepare children for life through experiential learning that addresses the needs of the whole child. We create a safe and secure school environment that promotes social and academic growth and develops an enthusiasm for learning, a positive self-image, and cross-cultural understanding.

All persons are encouraged to attend and, where appropriate, to participate in, meetings of the Pacific School Board of Trustees. Persons wishing to address the Board are asked to state their names for the record. Consideration of all matters is conducted in open session except for those relating to litigation, personnel, and employee negotiations, which, by law, may be considered in executive (closed) session.

Meeting facilities are accessible to persons with disabilities. By request, alternative agenda document formats are available to persons with disabilities. To arrange an alternative agenda document format or to arrange aid or services to modify or accommodate persons with a disability to participate in a public meeting, please provide a written request to: Eric Gross, Superintendent/Principal at the Pacific School District Office at least three working days prior to any public meeting.

Board Meeting Minutes

1. OPENING PROCEDURES FOR OPEN SESSION

- 1.1. Call to Order – 4:05 p.m.
- 1.2. Roll Call & Establishment of Quorum
 - 1.2.1. Gwyan Rhabyt, Board President - Present
 - 1.2.2. Don Croll, Board Trustee - Present
 - 1.2.3. Leanne Salandro, Board Trustee - Present
- 1.3. Approval of the agenda for October 20th, 2016
 - 1.3.1. Agenda deletions, additions, or changes of sequence

Approved with no changes. Mr. Rhabyt moved, Ms. Salandro seconded, 3 in favor, 0 opposed, 0 abstentions, 0 absences.

2. PUBLIC COMMENTS

- 2.1. For items not on the agenda, this is an opportunity for the public to address the board directly related to school business. The Board President may allot time to those wishing to speak, but no action will be taken on matters presented (EC §35145.5).
- 2.2. For items on the agenda, the public will have the opportunity to speak at the time the agenda item is discussed. Please address the Board President.

None.

3. REPORTS

3.1. Superintendent Report

The new special day class is going well. Mr. Gross is speaking with the IS teachers about moving 2nd grade into the lower IS classroom. Prop. 51 passed. Eric's working with a consultant on a justification study. Prop. 55 passed. We do not anticipate cuts to state funding for education. Federal education cuts may be likely.

3.2. Board Member Reports

Mr. Croll and other parents are looking into major donors to approach for donations. Mr. Gross submitted a grant to a program devoted to encouraging kids to run.

3.3. School Site Council Report

Savannah Olivas has been elected by her peers to replace Leanne Salandro. Andy Wilson was elected president. They will be looking at the tech and safety plans.

3.4. Parents Club Report

Met on Tuesday. Will be funding art in action. Ms. Salandro reported that it has been working well in the classrooms, is liked by teachers and students, and is very affordable for the quality. Fundraising has not been very successful.

3.5. Approve hiring of Maria Chomentowski, SCIA, and Jennifer Bird, SDC Teacher

This is a duplication and can be omitted here, as it will be addressed under the consent agenda (where it belongs).

4. **CONSENT AGENDA:** These matters may be passed by one roll call motion. Board Members may remove items from the agenda for a separate discussion and vote.

4.1. Approval of Minutes of the Board Meetings on November 17th, 2016

4.2. Approval of Warrant Register

4.3. Justification Study Contract

4.4. Property Tax Comparison

4.5. Approve hiring

4.5.1. Jennifer Bird, effective 11/14/16, as a .6 FTE Special Day Class Teacher

4.5.2. Maria Chomentowski, effective 11/18/16, as a SCIA

4.6. Budget Management's Discussion and Analysis

Mr. Gross has been working with Chris Delong. We have to charge the maximum developers fees in order to qualify for state bond funding. In order to raise the developers fees we need a justification study. It will probably be at least two years before we get bond funding, and the roof is leaking. Mr. Gross is concerned.

Approved the consent agenda with no changes. Mr. Rhabyt moved, Ms. Salandro seconded, 3 in favor, 0 opposed, 0 abstentions, 0 absences.

5. **PUBLIC HEARINGS**

5.1. 1st Interim Financial Report and Financial Solvency for 2016-17 – The Board will hear public comments about adjustments to the budget midway through the

fiscal year.

The public hearing was opened. Elizabeth Andrews testified that the budget changes are prudent. The public hearing was closed.

6. BOARD RESOLUTIONS

6.1. Resolution 2017-12 Reconfirming the Fund Balance Policy

Approved with no changes. Mr. Rhabyt moved, Ms. Salandro seconded, 3 in favor, 0 opposed, 0 abstentions, 0 absences.

6.2. Resolution 2017-13 Accounting of Development Fees for 2015-16 Fiscal Year

Approved with no changes. Mr. Rhabyt moved, Ms. Salandro seconded, 3 in favor, 0 opposed, 0 abstentions, 0 absences.

6.3. Resolution 2017-14 Authorization to obtain credit card for District

Approved with no changes. Mr. Rhabyt moved, Ms. Salandro seconded, 3 in favor, 0 opposed, 0 abstentions, 0 absences.

7. ITEMS TO BE TRANSACTED AND/OR DISCUSSED

7.1. Annual Organizational Meeting

7.1.1. Appointment In-Lieu of Election & Oath of Office

7.1.2. Elect President for 2017

Mr. Croll nominated Mr. Rhabyt. Elected. 3 in favor, 0 opposed, 0 abstentions, 0 absences.

7.1.3. Elect Vice-President for 2017

Mr. Rhabyt nominated Ms. Salandro. Elected. 3 in favor, 0 opposed, 0 abstentions, 0 absences.

7.1.4. Appoint Secretary to the Board for 2017

Mr. Rhabyt nominated Mr. Gross. Elected. 3 in favor, 0 opposed, 0 abstentions, 0 absences.

7.1.5. Approve Board Meeting Calendar Dates for 2017-18 -- The Board will decide the dates for board meetings for the following school year.

The following dates were proposed and reviewed.

Thursday	January	1/19/2017
Thursday	February	2/16/2017
Thursday	March	3/16/2017
Thursday	April	4/20/2017
Thursday	May	5/18/2017
Thursday	June	6/15/2017
Thursday	July	No Meeting
Thursday	August	8/17/2017
Thursday	September	9/21/2017
Thursday	October	10/19/2017
Thursday	November	11/16/2017
Thursday	December	12/21/2017

Thursday	January	1/18/2018
Thursday	February	2/15/2018
Thursday	March	3/15/2018
Thursday	April	4/19/2018
Thursday	May	5/17/2018
Thursday	June	6/21/2018

Approved with no changes. Mr. Rhabyt moved. Ms. Salandro seconded. 3 in favor, 0 opposed, 0 abstentions, 0 absences.

- 7.1.6. Approve Board Committee Appointments for the 2017 Calendar Year –
The Board will review the committee appointments for the following year.

As the Board has no standing committees, they did not approve any appointments.

- 7.1.7. Elect Trustee to county committee on school district organization
(Education Code 35023) – The Board will designate one Trustee as a
representative to the county's committee on reorganization.

Mr. Rhabyt moved that Mr. Rhabyt be appointed to this committee. Ms. Salandro seconded. 3 in favor, 0 opposed, 0 abstentions, 0 absences.

- 7.1.8. Nominate Candidate for the 2017 CSBA Delegate Assembly -- The Board
will consider nominations for the CSBA Delegate Assembly.

The Board declined to appoint anyone.

- 7.2. 1st Interim Report – The 1st Interim Report reflects 10/31/16 year-to-date and
projected fiscal data for all funds of the district. Included is the 3-year projection
and assumptions used for these projections. The district will be able to meet its
financial obligations for the current and 2 subsequent fiscal years.

Elizabeth Andrews summarized the first interim budget for this year and the two
following years. The Board discussed the budget and the underlying assumptions. The
Board wants some clarification on some of the budgeted changes to state income.

Approved as presented. Mr. Rhabyt moved. Ms. Salandro seconded. 3 in favor, 0
opposed, 0 abstentions, 0 absences.

- 7.3. Approval of Board Policies, Administrative Regulations, Board Bylaws, &
Exhibits
7.3.1. BP & AR 5117
7.3.2. BP 1431 Waivers
7.3.3. BP 1325 Advertising and Promotion

- 7.3.4. BP & AR 1312.3 Uniform Complaint Procedures
- 7.3.5. AR & E 1312.4 Williams Uniform Complaint Procedures
- 7.3.6. BP & AR 1250 Visitors/Outsiders
- 7.3.7. BP & AR 1240 Volunteer Assistance
- 7.3.8. BP & AR 1230 School-Connected Organizations
- 7.3.9. BP1160 Political Processes
- 7.3.10. BP 1114 District-Sponsored Social Media
- 7.3.11. BP 1150 Commendations and Awards
- 7.3.12. BP 1100 Communication with the Public
- 7.3.13. BP & AR 1113 District and School Web Sites

Regarding BP1325, Mr. Gross recommended the limited public forum option and including all of the five options and the criteria for approval. Mr. Rhabyt observed that he trusts the superintendent to show discretion and sensitivity to the community norms and standards. Regarding AR 1312.3, Mr. Gross recommends complaints go to the superintendent and then to the Board (option 2).

Approved with the options described above. Mr. Rhabyt moved. Ms. Salandro seconded. 3 in favor, 0 opposed, 0 abstentions, 0 absences.

7.4. Withdraw of Board Policies, Administrative Regulations, Board Bylaws, & Exhibits

- 7.4.1. BP 3111 Deferred Maintenance Funds (obsolete)
- 7.4.2. BP 3314.2 Revolving Funds (not a fund maintained in the district)
- 7.4.3. AR 3516.2 Bomb Threats (optional policy; information now contained in Safety Plans)
- 7.4.4. AR 3516.3 Earthquake Preparedness (optional policy; information now contained in Safety Plans)
- 7.4.5. AR 3541.2 Transportation for Students with Disabilities (currently no AR in Gamut manual; issue covered in Board Policy 3541.2)

Approved with no changes. Mr. Rhabyt moved. Ms. Salandro seconded. 3 in favor, 0 opposed, 0 abstentions, 0 absences.

7.5. Approve Interdistrict Transfer Procedures. At the previous board meeting (11/17/16), the board approved BP & AR 5117, which govern interdistrict transfers. It was determined that more guidance for implementing the policy was needed. The Procedures were developed to address this need.

After some discussion, the procedures were approved with the Preschool cutoff date changed from October 1 to January 1. Mr. Rhabyt moved. Ms. Salandro seconded. 3 in favor, 0 opposed, 0 abstentions, 0 absences.

8. SCHEDULE OF COMING EVENTS

- 8.1. Next Regular Board Meeting: January 19th, 2017

9. CLOSED SESSION

10. REPORT OF ACTIONS TAKEN IN CLOSED SESSION

None

11. ADJOURNMENT – 5:50 p.m.

If requested, this agenda shall be made available in appropriate alternative formats to persons with a disability, as required by section 202 of the Americans with Disabilities Act (42 U.S.C. section 12132) and the federal rules and regulations implementing the Act. Individuals requesting a disability-related modification or accommodation may contact the District Office.

The board book for this meeting, including this agenda and any back-up materials, may be viewed or downloaded online: <http://www.pacificesd.org/governance.html> or may be viewed at the school: 50 Ocean St. Davenport CA 95017.

Translation Requests: Spanish language translation is available on an as-needed basis.

Solicitudes de Traducción: *Traducciones del inglés al español y del español al inglés están disponibles en las sesiones de la mesa directiva.*

CSBA Sample

Board Policy

Food Service/Child Nutrition Program

BP 3550

Business and Noninstructional Operations

***Note: The following optional policy may be revised to reflect district practice and the meal programs offered by the district. Districts may receive reimbursements to offset the costs of meals through the National School Lunch Program (42 USC 1751-1769j), School Breakfast Program (42 USC 1773), Special Milk Program (42 USC 1772), or other federally reimbursable meal program as described in the Child Nutrition Act (42 USC 1771-1791). In addition, state funding for meals provided to needy children may be available through the State Meal Program (Education Code 49490-49494). The district may apply to the California Department of Education (CDE) for all available state and federal funds. ***

***Note: See BP/AR 3552 - Summer Meal Program, AR 5148 - Child Care and Development, and AR 5148.2 - Before/After School Programs for nutrition requirements pertaining to those programs. For food sales outside the district's food service program (e.g., by student and adult organizations, through vending machines, or at student stores), see BP/AR 3554 - Other Food Sales. ***

The Governing Board recognizes that adequate, nourishing food is essential to student health, development, and ability to learn. The Superintendent or designee shall develop strategies to increase students' access to the district's food service programs and to maximize their participation in available programs.

Foods and beverages available through the district's food service program shall:

1. Be carefully selected so as to contribute to students' nutritional well-being and the prevention of disease

(cf. 5141.27 - Food Allergies/Special Dietary Needs)

***Note: 42 USC 1758b, as added by the Healthy, Hunger-Free Kids Act of 2010 (P.L. 111-296), mandates each district participating in the National School Lunch Program (42 USC 1751-1769j) or any program in the Child Nutrition Act (42 USC 1771-1791), including the School Breakfast Program, to adopt a districtwide school wellness policy which includes nutrition guidelines for all foods available on school campuses; see BP 5030 - Student Wellness for language fulfilling this mandate. Also see the accompanying administrative regulation for state and federal legal requirements pertaining to nutrition standards. ***

2. Meet or exceed nutrition standards specified in law and administrative regulation

(cf. 3552 - Summer Meal Program)
(cf. 3554 - Other Food Sales)
(cf. 5030 - Student Wellness)
(cf. 5148 - Child Care and Development)
(cf. 5148.2 - Before/After School Programs)
(cf. 5148.3 - Preschool/Early Childhood Education)

3. Be prepared in ways that will appeal to students, retain nutritive quality, and foster lifelong healthful eating habits

4. Be served in age-appropriate portions

***Note: Students who meet federal eligibility criteria must be provided meals free of charge or at reduced prices in accordance with 42 USC 1758 and 1773 and Education Code 49550; see BP/AR 3553 - Free and Reduced Price Meals. Pursuant to Education Code 38084, the district may determine the price for other students consistent with the goal of paying the cost of maintaining the cafeterias; see BP 3551 - Food Service Operations/Cafeteria Fund. State and federal reimbursements for all child nutrition programs are administered by the CDE and are based on the number and type of meals served. ***

5. Be available to students who meet federal eligibility criteria at no cost or at reduced prices, and to other students at reasonable prices

(cf. 3551 - Food Service Operations/Cafeteria Fund)
(cf. 3553 - Free and Reduced Price Meals)

***Note: The following optional paragraph may be revised to reflect district practice. Grant funding may be available through the Fresh Fruit and Vegetable Program (42 USC 1769a) to provide elementary students with a variety of free fresh fruits and vegetables throughout the school day as a supplement to school breakfast and lunch programs. Eligible schools are those that operate the National School Lunch Program and have 50 percent or more of students eligible for free and reduced-price meals. ***

The district's food service program shall give priority to serving unprocessed foods and fresh fruits and vegetables.

***Note: No state or federal law directly governs the use of food produced by school gardens or local farms. However, both state and federal law support the concept of using locally grown and/or organic produce in school cafeterias (Education Code 51795-51797; 42 USC 1769). Thus, such use is allowable provided the foods comply with health and sanitation requirements as well as applicable nutrition standards. ***

District schools are encouraged to establish school gardens and/or farm-to-school projects to increase the availability of safe, fresh, seasonal fruits and vegetables for school meals and to support the district's nutrition education program.

(cf. 6142.8 - Comprehensive Health Education)

To encourage student participation in school meal programs, schools may offer multiple choices of food items within a meal service, provided all food items meet nutrition standards and all students are given an opportunity to select any food item.

The Superintendent or designee may invite students and parents/guardians to participate in the selection of foods of good nutritional quality for school menus.

The Board desires to provide students with adequate time and space to eat meals. To the extent possible, school, recess, and transportation schedules shall be designed to encourage participation in school meal programs.

The Superintendent or designee shall periodically review the adequacy of school facilities for cafeteria eating and food preparation.

(cf. 1312.4 - Williams Uniform Complaint Procedures)

(cf. 3517- Facilities Inspection)

(cf. 7110 - Facilities Master Plan)

***Note: The district's food service program is subject to the food safety standards in the California Retail Food Code (Health and Safety Code 113700-114437). In addition, 42 USC 1758 and 7 CFR 210.13 and 220.7 require all schools participating in the National School Lunch and/or Breakfast Program to implement a food safety program for the storage, preparation, and service of school meals. See the accompanying administrative regulation for requirements of the food safety program. ***

In accordance with law, the Superintendent or designee shall develop and maintain a food safety program in order to reduce the risk of foodborne hazards at each step of the food preparation process, from receiving to service.

***Note: The following optional paragraph may be revised to reflect program evaluation indicators and reporting schedules determined by the district. Districts that participate in the National School Lunch Program, School Breakfast Program, Seamless Summer Feeding Option, and/or other federal meal program are subject to a state Administrative Review of district compliance with requirements for federal meal programs, including, but not limited to, a review of nutritional quality, meal patterns, provision of drinking water, school meal environment, and food safety. Each district is reviewed at least once every three years. Also see BP 3551 - Food Service Operations/Cafeteria Fund. However, Education Code 49431, 49431.2 and 49431.5 express legislative intent that the Governing Board annually review the district's compliance with nutrition standards for foods sold outside the National School Lunch or Breakfast Program. ***

***Note: Pursuant to the U.S. Department of Agriculture's Food and Nutrition Services Instruction 113-1, any district participating in federal meal programs must collect racial and ethnic data on potentially eligible populations, applicants, and program participants; see BP 3555 - Nutrition Program Compliance. ***

The Superintendent or designee shall annually report to the Board on student participation in the district's nutrition programs and the extent to which the district's food services program meets state and federal nutrition standards for foods and beverages. In addition, the Superintendent or designee shall provide all necessary and available documentation required for the Administrative Review conducted by the California Department of Education (CDE) to ensure the food service program's compliance with federal requirements related to nutrition standards, meal patterns, provision of drinking water, school meal environment, food safety, and other areas as required by the CDE.

(cf. 0500 - Accountability)

(cf. 3555 - Nutrition Program Compliance)

Legal Reference:

EDUCATION CODE

35182.5 Contracts, non-nutritious beverages

38080-38103 Cafeteria, establishment and use

45103.5 Contracts for management consulting services; restrictions

49430-49434 Pupil Nutrition, Health, and Achievement Act of 2001

49490-49494 School breakfast and lunch programs

49500-49505 School meals

49510-49520 Nutrition

49530-49536 Child Nutrition Act

49540-49546 Child care food program

49547-49548.3 Comprehensive nutrition services

49550-49562 Meals for needy students

49570 National School Lunch Act

51795-51797 School gardens

HEALTH AND SAFETY CODE

113700-114437 California Retail Food Code

CODE OF REGULATIONS, TITLE 5

15510 Mandatory meals for needy students

15530-15535 Nutrition education

15550-15565 School lunch and breakfast programs

15575-15578 Requirements for foods and beverages outside federal meal programs

UNITED STATES CODE, TITLE 42

1751-1769j National School Lunch Program, including:

1758b Local wellness policy

1761 Summer Food Service Program and Seamless Summer Feeding Option

1769a Fresh Fruit and Vegetable Program

1771-1793 Child nutrition, especially:

1772 Special Milk Program

1773 National School Breakfast Program

CODE OF FEDERAL REGULATIONS, TITLE 7

210.1-210.31 National School Lunch Program

215.1-215.18 Special Milk Program

220.2-220.22 National School Breakfast Program

245.1-245.13 Eligibility for free and reduced-price meals and free milk

Management Resources:

CSBA PUBLICATIONS

Building Healthy Communities: A School Leader's Guide to Collaboration and Community Engagement, 2009

Nutrition Standards for Schools: Implications for Student Wellness, Policy Brief, rev. October 2007

Monitoring for Success: Student Wellness Policy Implementation Monitoring Report and Guide, 2007

Student Wellness: A Healthy Food and Physical Activity Policy Resource Guide, rev. April 2006

CALIFORNIA DEPARTMENT OF EDUCATION PUBLICATIONS

School Meals Initiative Summary

Healthy Children Ready to Learn, January 2005

CALIFORNIA PROJECT LEAN PUBLICATIONS

Policy in Action: A Guide to Implementing Your Local School Wellness Policy, October 2006

U.S. DEPARTMENT OF AGRICULTURE PUBLICATIONS

School Breakfast Toolkit

Fresh Fruit and Vegetable Program: Handbook for Schools, December 2010

Food Buying Guide for Child Nutrition Programs, December 2007

Civil Rights Compliance and Enforcement - Nutrition Programs and Activities, FNS Instruction 113-1, November 2005

Guidance for School Food Authorities: Developing a School Food Safety Program Based on the Process Approach to HACCP Principles, June 2005

Dietary Guidelines for Americans, 2005

WEB SITES

CSBA: <http://www.csba.org>

California Department of Education, Nutrition Services Division:
<http://www.cde.ca.gov/ls/nu>

California Department of Public Health: <http://www.cdph.ca.gov>

California Farm Bureau Federation: <http://www.cfbf.com>

California Food Policy Advocates: <http://www.cfpa.net>

California Healthy Kids Resource Center: <http://www.californiahealthykids.org>

California Project LEAN (Leaders Encouraging Activity and Nutrition):
<http://www.californiaprojectlean.org>

California School Nutrition Association: <http://www.calsna.org>

Centers for Disease Control and Prevention: <http://www.cdc.gov>

National Alliance for Nutrition and Activity:

<http://www.cspinet.org/nutritionpolicy/nana.html>

U.S. Department of Agriculture, Food and Nutrition Service: <http://www.fns.usda.gov/fns>

CSBA Sample

Board Policy

Food Service Operations/Cafeteria Fund

BP 3551

Business and Noninstructional Operations

Note: The following optional policy may be revised to reflect district practice. Pursuant to 7 CFR 210.9, 210.14, and 220.7, districts participating in the National School Lunch and/or Breakfast program (42 USC 1751-1769j, 1773) must maintain a nonprofit school food service program. Revenues received through the program may be used only for the operation or improvement of the food service program, except that such revenues must not be used to purchase land or buildings or construct buildings unless otherwise approved. Authorized expenditures are defined in the California Department of Education's (CDE) California School Accounting Manual.

The Governing Board intends that school food services shall be a self-supporting, nonprofit program. To ensure program quality and increase cost effectiveness, the Superintendent or designee shall centralize and direct the purchasing of foods and supplies, the planning of menus, and the auditing of all food service accounts for the district.

(cf. 3100 - Budget)
(cf. 3300 - Expenditures and Purchases)
(cf. 3311 - Bids)
(cf. 3550 - Food Service/Child Nutrition Program)
(cf. 3552 - Summer Meal Program)
(cf. 5030 - Student Wellness)

The Superintendent or designee shall ensure that all food service personnel possess appropriate qualifications and receive ongoing professional development related to the effective management and implementation of the district's food service program.

(cf. 4231 - Staff Development)
(cf. 4331 - Staff Development)

***Note: The following paragraph is for use by districts participating in the National School Lunch and/or Breakfast Program (42 USC 1751-1769j, 1773). Pursuant to 42 USC 1776, such districts must ensure that food service personnel who conduct or oversee administrative procedures and other appropriate personnel receive training on administrative practices (i.e., training in application, certification, verification, meal counting, and meal claiming procedures) at least once each year. In addition, all food service personnel are required to receive annual training that (1) is designed to improve the accuracy of approvals for free and reduced-price meals and the identification of reimbursable meals at the point of service and (2) includes modules on nutrition, health

and food safety standards and methodologies, and any other appropriate topics as determined by the U.S. Secretary of Agriculture. The CDE provides online training that meets these requirements; see the CDE's web site. ***

***Note: In addition, on a date to be determined by the U.S. Secretary pursuant to 42 USC 1776, food service directors will be required to meet minimum requirements related to education, training, and certification. ***

At least once each year, food service administrators, other appropriate personnel who conduct or oversee administrative procedures, and other food service personnel shall receive training provided by the California Department of Education (CDE). (42 USC 1776)

Meal Sales

Meals may be sold to students, district employees, Board members, and employees or members of the fund or association maintaining the cafeteria. (Education Code 38082)

Note: Pursuant to Education Code 38084, the district may determine meal prices consistent with the goal of paying the costs of maintaining the cafeterias (exclusive of the costs of housing and equipping cafeterias, or other costs determined by Governing Board resolution, pursuant to Education Code 38100).

Note: Students who meet federal eligibility criteria for the reduced-price meal program cannot be charged more than the amounts listed in 42 USC 1758 and 1773; see AR 3553 - Free and Reduced Price Meals. In setting prices for students who are not eligible for the free and reduced-price meal program, 42 USC 1760 requires schools to charge those students a price that is, on average, equal to the difference between free meal reimbursement and paid meal reimbursement. Schools that charge less than the average are required to gradually increase their prices over time until they meet the requirement or may cover the difference with nonfederal funds. 42 USC 1760 provides that the price shall generally not increase more than 10 cents each year, but allows districts to establish a higher increase at their discretion.

Meal prices, as recommended by the Superintendent or designee and approved by the Board, shall be based on the costs of providing food services and consistent with Education Code 38084 and 42 USC 1760.

Students who are enrolled in the free or reduced-price meal program shall receive meals free of charge or at a reduced price in accordance with law, Board policy, and administrative regulation.

(cf. 3553 - Free and Reduced Price Meals)

***Note: The following paragraph is optional. Pursuant to Education Code 38082, the Board may, by formal resolution, authorize the serving of meals to persons other than those listed above. In Management Bulletin No. 00-111, the CDE states that the Board's policy or resolution must specify the circumstances under which those other persons will

be served and indicates that using funds from the National School Lunch or Breakfast Program to serve any nonstudent would be contrary to program goals.***

Meals may be sold to nonstudents, including parents/guardians, volunteers, students' siblings, or other individuals, who are on campus for a legitimate purpose. Any meals served to nonstudents shall not be subsidized by federal or state reimbursements, food service revenues, or U.S. Department of Agriculture (USDA) foods.

Cafeteria Fund

Note: Pursuant to Education Code 38090, money received for the sale of food or for any services performed by the cafeterias may be paid into the county treasury to the credit of a "cafeteria fund" for the district.

The Superintendent or designee shall establish a cafeteria fund independent of the district's general fund.

Note: Education Code 38103 allows the Board, at its discretion and with the approval of the County Superintendent of Schools who is responsible for a countywide payroll/retirement system under Education Code 42646, to have wages, salaries, and benefits of food service employees paid either from the district's general fund (Option 1 below) or from the district's cafeteria fund (Option 2).

OPTION 1: The wages, salaries, and benefits of food service employees shall be paid from the district's general fund. At any time, the Board may order reimbursement from the district's cafeteria fund for these payments in amounts prescribed by the Board and not exceeding the costs actually incurred. (Education Code 38103)

OPTION 2: The wages, salaries, and benefits of food service employees shall be paid from the cafeteria fund. (Education Code 38103)

Note: The following optional paragraph may be revised to reflect district practice. 2 CFR 225 and U.S. Department of Agriculture (USDA) guidance, Indirect Costs: Guidance for State Agencies and School Food Authorities, provide information regarding allowable indirect costs that may be charged to the nonprofit school food service account. Also see the accompanying administrative regulation.

The Superintendent or designee shall ensure that state and federal funds provided through school meal programs are allocated only for purposes related to the operation or improvement of food services and reasonable and necessary indirect program costs as allowed by law.

(cf. 3400 - Management of District Assets/Accounts)
(cf. 3460 - Financial Reports and Accountability)

Contracts with Outside Services

***Note: The following section is optional. Pursuant to Education Code 45103.5, the

district is authorized to contract for consulting services related to food service management. 42 USC 1758, 7 CFR 210.16, and Education Code 45103.5 authorize a district, under specified conditions and with approval of the CDE, to contract with a food service management company to manage its food service operation in one or more of its schools. See the accompanying administrative regulation for related requirements.***

With Board approval, the district may enter into a contract for food service consulting services or management services in one or more district schools. (Education Code 45103.5; 42 USC 1758; 7 CFR 210.16)

(cf. 3312 - Contracts)
(cf. 3600 - Consultants)

Program Monitoring and Evaluation

The Superintendent or designee shall present to the Board, at least annually, financial reports regarding revenues and expenditures related to the food service program.

Note: The following paragraph is for use by districts that have one or more schools participating in the National School Lunch Program, School Breakfast Program, Seamless Summer Feeding Option, and/or other federal meal program. The state monitoring process (the Administrative Review) includes a review of district compliance with requirements for federal meal programs, including a review of resource management in the food service program as provided in the following paragraph. Each district is reviewed at least once every three years. USDA correspondence dated August 30, 2013, provides a list of documents that may be requested by the CDE for the review.

The Superintendent or designee shall provide all necessary documentation required for the Administrative Review conducted by the CDE to ensure compliance of the district's food service program with federal requirements related to maintenance of the nonprofit school food service account, paid lunch equity, revenue from nonprogram goods, indirect costs, and USDA foods.

(cf. 3555 - Nutrition Program Compliance)

Legal Reference:

EDUCATION CODE

38080-38086 Cafeteria, establishment and use

38090-38095 Cafeterias, funds and accounts

38100-38103 Cafeterias, allocation of charges

42646 Alternate payroll procedure

45103.5 Contracts for management consulting services; restrictions

49490-49493 School breakfast and lunch programs

49500-49505 School meals

49554 Contract for services

HEALTH AND SAFETY CODE

113700-114437 California Retail Food Code

CODE OF REGULATIONS, TITLE 5

15550-15565 School lunch and breakfast programs

UNITED STATES CODE, TITLE 42

1751-1769j School lunch programs

1771-1791 Child nutrition, including:

1773 School breakfast program

CODE OF FEDERAL REGULATIONS, TITLE 2

225 Cost Principles for State, Local, and Indian Tribal Governments

CODE OF FEDERAL REGULATIONS, TITLE 7

210.1-210.31 National School Lunch Program

220.1-220.21 National School Breakfast Program

250.1-250.70 USDA foods

Management Resources:

CALIFORNIA DEPARTMENT OF EDUCATION PUBLICATIONS

California School Accounting Manual

Food Distribution Program Administrative Manual

Cafeteria Funds--Allowable Uses, Management Bulletin NSD-SNP-07-2013, May 2013

Paid Lunch Equity Requirement, Management Bulletin USDA-SNP-16-2012, October 2012

Storage and Inventory Management of United States Department of Agriculture (USDA)

Donated Foods, Management Bulletin USDA-FDP-02-2010, August 2010

Clarification for the Use of Alternate Meals in the National School Lunch and School Breakfast Programs; and the Handling of Unpaid Meal Charges, Management Bulletin USDA-SNP-01-2008, February 2008

Adult and Sibling Meals in the National School Lunch and School Breakfast Programs, Management Bulletin 00-111, July 2000

U.S. DEPARTMENT OF AGRICULTURE PUBLICATIONS

Financial Management of the School Meal Programs, Correspondence, August 30, 2013

Indirect Costs: Guidance for State Agencies and School Food Authorities, 2011

U.S. DEPARTMENT OF EDUCATION GUIDANCE

FAQs About School Meals

WEB SITES

California Department of Education, Nutrition Services Division:

<http://www.cde.ca.gov/ls/nu>

California School Nutrition Association: <http://www.calsna.org>

U.S. Department of Agriculture, Food and Nutrition Service: <http://www.fns.usda.gov/cnd>

U.S. Department of Education: <http://www.ed.gov>

CSBA Sample

Board Policy

Summer Meal Program

BP 3552

Business and Noninstructional Operations

***Note: The following optional policy is for use by any district that has been approved by the California Department of Education (CDE) to serve as a program sponsor under the federally funded Seamless Summer Feeding Option (SSFO) or Summer Food Service Program (SFSP), pursuant to 42 USC 1761 (as amended by P.L. 111-80) and 7 CFR 225.1-225.20. Both programs are designed to provide meals to children in low-income communities during summer vacation; however, SSFO funding is available only to districts that also participate in the National School Lunch or Breakfast Program (42 USC 1751-1769, 1773). ***

***Note: Pursuant to 7 CFR 225.14, districts participating in SSFO or SFSP must make summer meals available to all children in the community, not just those enrolled in summer school. Districts that offer meals only to students enrolled in summer school and not to other children in the community are not eligible to receive reimbursements under SSFO or SFSP, but may continue to provide meals through the National School Lunch or Breakfast Program. ***

The Governing Board recognizes that child nutrition programs have a positive and direct impact upon children's well-being and achievement. To help students and other children in the community remain well nourished throughout the summer vacation, the district shall sponsor a summer meal program as approved by the California Department of Education (CDE).

(cf. 3550 - Food Service/Child Nutrition Program)
(cf. 3553 - Free and Reduced Price Meals)
(cf. 5030 - Student Wellness)
(cf. 5141.27 - Food Allergies/Special Dietary Needs)

***Note: The following optional paragraph is for use by districts that maintain one or more schools on a year-round schedule. Pursuant to 42 USC 1761, the SSFO and SFSP may provide meals at off-session/off-track times of the year for schools on a continuous school calendar. According to the CDE's Frequently Asked Questions, under the SSFO, schools on a year-round schedule may be approved to serve meals during breaks of at least 10 school days. For purposes of the SFSP, 7 CFR 225.2 defines a "continuous school year" as having vacation periods of 15 continuous school days or more during the period from October through April. ***

The district may apply to the CDE to provide meals to children during any extended break in a year-round school schedule. (42 USC 1761; 7 CFR 225.2, 225.6, 225.14)

(cf. 6117 - Year-Round Schedules)

Between October and April, or at any time or school on a year-round schedule, the district may serve meals at a nonschool site in cases of unanticipated school closures, such as a natural disaster, unscheduled major building repair, court order related to school safety or other issues, labor-management dispute, or similar cause as approved by the CDE. (42 USC 1761; 7 CFR 225.6)

***Note: Both the SSFO and SFSP contain criteria for choosing locations to operate a summer meal program; see the accompanying administrative regulation. Meal service must not begin prior to receiving CDE approval of the site. ***

The Superintendent or designee shall recommend to the Board one or more sites for meal services based on state and federal program criteria and an assessment of family and community needs. When feasible, the Superintendent or designee shall involve local governmental agencies, food banks, and/or community organizations in identifying suitable site locations. The site(s) shall be approved by the CDE before meal service is initiated.

***Note: The following paragraph is optional. The U.S. Department of Agriculture's The Summer Food Service Program: Food That's In When School is Out, 2010 Administrative Guidance for Sponsors encourages sponsors to select sites or design programs to offer other organized activities that attract children to the summer meal program. ***

The summer meal program may be offered in conjunction with educational enrichment or recreational activities in order to encourage participation in other wellness and learning opportunities.

(cf. 1020 - Youth Services)
(cf. 1330.1 - Joint Use Agreements)
(cf. 5148 - Child Care and Development)
(cf. 5148.2 - Before/After School Programs)
(cf. 6142.7 - Physical Education and Activity)
(cf. 6177 - Summer School)

The Superintendent or designee shall develop and coordinate outreach and promotional activities to inform parents/guardians and the community about the availability of the summer meal program and its location(s) and hours.

(cf. 1100 - Communication with the Public)
(cf. 1112 - Media Relations)
(cf. 1113 - District and School Web Sites)

***Note: Districts participating in either the SSFO or SFSP must submit reimbursement claims through the CDE's online Child Nutrition Information and Payment System. ***

The Superintendent or designee shall maintain accurate records of all meals served and shall ensure the timely submission of reimbursement claims in accordance with state procedures.

(cf. 3551 - Food Service Operations/Cafeteria Fund)

The Superintendent or designee shall regularly report to the Board regarding program implementation, number of participants at each site, feedback from participating children and their parents/guardians regarding menus and service, and program costs. As needed, the

Board shall direct the Superintendent or designee to identify program modifications to increase program quality or children's access to meal services.

(cf. 0500 - Accountability)

(cf. 3555 - Nutrition Program Compliance)

Legal References:

EDUCATION CODE

49430-49434 Pupil Nutrition, Health, and Achievement Act of 2001

49490-49494 School breakfast and lunch programs

49500-49505 School meals

49510-49520 Nutrition

49530-49536 Child Nutrition Act

49547-49548.3 Comprehensive nutrition services

49550-49562 Meals for needy students

49570 National School Lunch Act

CODE OF REGULATIONS, TITLE 5

15510 Mandatory meals for needy students

15550-15565 School lunch and breakfast programs

UNITED STATES CODE, TITLE 42

1751-1769i School lunch programs, including:

1758b Local wellness policy

1761 Summer Food Service Program and Seamless Summer Feeding Option

1771-1792 Child nutrition, especially:

1773 School breakfast program

CODE OF FEDERAL REGULATIONS, TITLE 7

210.1-210.31 National School Lunch Program

220.1-220.22 National School Breakfast Program

225.1-225.20 Summer Food Service Program

Management Resources:

CSBA PUBLICATIONS

Providing Access to Nutritious Meals During Summer, Policy Brief, June 2010

Monitoring for Success: Student Wellness Policy Implementation Monitoring Report and

Guide, 2007

Student Wellness: A Healthy Food and Physical Activity Policy Resource Guide, rev. April 2006

CALIFORNIA DEPARTMENT OF EDUCATION MANAGEMENT BULLETINS

USDA-SFSP-06-2008 Summer Food Service Program Outreach Requirement

Clarification, October 2008

U.S. DEPARTMENT OF AGRICULTURE PUBLICATIONS

The Summer Food Service Program: Food That's In When School is Out, 2010, Nutrition Guidance for Sponsors, rev. March 2010

The Summer Food Service Program: Food That's In When School is Out, 2010 Site Supervisor's Guide, rev. January 2010

The Summer Food Service Program: Food That's In When School is Out, 2010 Monitor's Guide, rev. January 2010

U.S. DEPARTMENT OF AGRICULTURE PUBLICATIONS (continued)

The Summer Food Service Program: Food That's In When School is Out, 2010

Administrative Guidance for Sponsors, rev. December 2009

National School Lunch Program's Seamless Summer Option Questions and Answers, 2009

WEB SITES

CSBA: <http://www.csba.org>

California Center for Research on Women and Families, Summer Meal Program

Coalition: <http://www.ccrwf.org>

California Department of Education, Nutrition: <http://www.cde.ca.gov/ls/nu>

California Food Policy Advocates: <http://www.cfpa.net>

California School Nutrition Association: <http://www.calsna.org>

Child Nutrition Information and Payment System: <https://www.cnips.ca.gov>

U.S. Department of Agriculture, Food and Nutrition Service: <http://www.fns.usda.gov>

(7/10)

CSBA Sample

Board Policy

Free And Reduced Price Meals

BP 3553

Business and Noninstructional Operations

Note: Education Code 49550 requires all districts to provide at least one nutritionally adequate meal during each school day to low-income students, defined in Education Code 49552 as those who meet federal eligibility criteria for free and reduced-price meals. Pursuant to 42 USC 1758 and 1773, districts that participate in the National School Lunch and/or Breakfast Program may receive reimbursement for free and reduced-price meals at a higher rate than that provided for meals for noneligible students. In addition, state funding may be available through the State Meal Program (Education Code 49490-49494). The district may apply to the California Department of Education (CDE) for available state and federal funds.

Note: The requirement to provide at least one nutritionally adequate meal to needy students applies during summer school sessions unless the district receives a waiver from the State Board of Education (SBE) under the conditions described in Education Code 49548. In order to receive a waiver, the district is required to submit a waiver request no later than 60 days before the last regular meeting of the SBE before the start of the summer school session for which the waiver is sought. Funding to support the provision of summer school meals is available through the Seamless Summer Feeding Option and/or Summer Food Service Program (Education Code 49547.5; 42 USC 1761); see BP/AR 3552 - Summer Meal Program.

Note: Student eligibility for free and reduced-price meals serves as the basis for identifying students as low income for a variety of purposes, including, but not limited to, state allocations of supplemental and concentration funding within the local control funding formula. Districts must use such funding to increase or improve services for low-income students and other populations of "unduplicated students" (see BP/AR 3100 - Budget) and must establish goals and specific actions for low-income students in the local control and accountability plan (see BP/AR 0460 - Local Control and Accountability Plan).

Note: The following policy is mandated for any district that authorizes employee access to students' free and reduced-price meal eligibility information for the disaggregation of academic achievement data and other specified purposes; see section "Confidentiality/Release of Records" below.

The Governing Board recognizes that adequate nutrition is essential to the development, health, and learning of all students. The Superintendent or designee shall facilitate and encourage the participation of students from low-income families in the district's food service program.

(cf. 3551 - Food Service Operations/Cafeteria Fund)
(cf. 3552 - Summer Meal Program)
(cf. 5030 - Student Wellness)
(cf. 5148 - Child Care and Development)
(cf. 5148.2 - Before/After School Programs)
(cf. 6177 - Summer Learning Programs)

The district shall provide at least one nutritionally adequate meal each school day, free of charge or at a reduced price, for students whose families meet federal eligibility criteria. (Education Code 49550, 49552)

Note: In order to be reimbursed for free and reduced-price meals, a school must meet federal and/or state nutritional guidelines in 7 CFR 210.10 and 220.8 and Education Code 49430 and 49430.7, as described in see AR 3550 - Food Service/Child Nutrition Program.

The Superintendent or designee shall ensure that meals provided through the free and reduced-price meals program meet applicable state and/or federal nutritional standards in accordance with law, Board policy, and administrative regulation.

(cf. 3550 - Food Service/Child Nutrition Program)

Note: The federally funded Special Milk Program (42 USC 1772; 7 CFR 215.1, 215.7) assists in providing milk to students at reasonable prices in schools that do not participate in the National School Lunch or Breakfast Program or Summer Food Service Program. Participating districts may, at their discretion, choose to provide milk at no charge to students who qualify for free and reduced-price meals. The following optional paragraph is for use by districts that choose to provide free milk to eligible students.

Schools participating in the Special Milk Program pursuant to 42 USC 1772 shall provide milk at no charge to students who meet federal eligibility criteria for free or reduced-price meals.

Note: Education Code 49557 requires the district to develop a plan ensuring that students receiving free and reduced-price meals are not treated differently in the implementation of the food services program. See the accompanying administrative regulation for plan requirements.

The Board shall approve, and shall submit to the California Department of Education for approval, a plan that ensures that students eligible to receive free or reduced-price meals and milk are not treated differently from other students. (Education Code 49557)

(cf. 0410 - Nondiscrimination in District Programs and Activities)
(cf. 3555 - Nutrition Program Compliance)
(cf. 5145.3 - Nondiscrimination/Harassment)

Confidentiality/Release of Records

All applications and records related to eligibility for the free and reduced-price meals program shall be confidential and may not be released except as provided by law and authorized by the Board or pursuant to a court order. (Education Code 49558)

(cf. 5125 - Student Records)

Note: The remainder of this section should be revised to reflect the purposes for sharing free and reduced-price eligibility information that are authorized by the Governing Board. Districts wishing to use free and reduced-price meal records for the following purposes are mandated by Education Code 49558 to adopt a policy authorizing employee access. See the accompanying administrative regulation for additional requirements applicable to districts that authorize such access.

The Board authorizes designated employees to use individual records pertaining to student eligibility for the free and reduced-price meals program for the following purposes: (Education Code 49558)

1. Disaggregation of academic achievement data

(cf. 6162.51 - State Academic Achievement Tests)

Note: Education Code 49558 allows districts to use the name and eligibility status of students participating in the free and reduced-price meal program to identify students eligible for school choice and supplemental educational services (SES) in Title I schools identified for program improvement. However, the Every Student Succeeds Act (P.L. 114-95) repealed 20 USC 6316 which had required the provision of student transfers and SES. In lieu of SES, beginning in the 2016-17 school year, districts are required pursuant to the CDE's Every Student Succeeds Act 2016-17 School Year Transition Plan to provide alternative supports, defined and administered by the district, to eligible students (i.e., students who would have been eligible for SES in schools with the greatest need). See BP/AR 0520.2 - Title I Program Improvement Schools and see BP 6179 - Supplemental Instruction. Although Education Code 49558 has not yet been amended to reflect the repeal of 20 USC 6316 and does not expressly authorize the use of free and reduced-price meal information to determine students' eligibility for alternative supports, CSBA believes that the use of such information would be necessary to determine student's eligibility for alternative supports. The district should consult legal counsel if it has questions about the use of free and reduced-price meal information for these or other purposes.

2. Identification of students eligible for alternative supports in any school identified as a Title I program improvement school

(cf. 0520.2 - Title I Program Improvement Schools)

(cf. 6171 - Title I Programs)

***Note: According to CDE Management Bulletin SNP-12-2015, Education Code 49558 does not prohibit the sharing of free and reduced-price meal application information to

other districts/schools for the purpose of determining students' eligibility. The district may provide only the student's name and eligibility status unless the applicant consents to the sharing of additional information.***

If a student transfers from the district to another district, charter school, county office of education program, or private school, the Superintendent or designee may share the student's meal eligibility information to the other educational agency to assist in the continuation of the student's meal benefits.

The Superintendent or designee may release the name and eligibility status of a student participating in the free or reduced-price meal program to another school district, charter school, or county office of education that is serving a student living in the same household for purposes related to program eligibility and data used in local control funding formula calculations. (Education Code 49558)

The Superintendent or designee may release the name and eligibility status of a student participating in the free or reduced-price meal program to the Superintendent of Public Instruction for purposes of determining allocations under the local control funding formula and for assessing accountability of that funding. (Education Code 49558)

The Superintendent or designee may release information on the school lunch program application to the local agency that determines eligibility for participation in the Medi-Cal program if the student has been approved for free meals or, if included in the agreement with the local agency, for reduced-price meals. He/she also may release information on the school lunch application to the local agency that determines eligibility for CalFresh or another nutrition assistance program authorized under 7 CFR 210.1 if the student has been approved for free or reduced-price meals. Information may be released for these purposes only if the student's parent/guardian consents to the sharing of information and the district has entered into a memorandum of understanding with the local agency which, at a minimum, includes the roles and responsibilities of the district and local agency and the process for sharing the information. After sharing information with the local agency for purposes of determining eligibility for that program, no further information shall be shared unless otherwise authorized by law. (Education Code 49557.2, 49557.3, 49558)

(cf. 5141.6 - School Health Services)

Legal Reference:

EDUCATION CODE

48980 Notice at beginning of term

49430-49434 Pupil Nutrition, Health, and Achievement Act of 2001

49490-49494 School breakfast and lunch programs

49500-49505 School meals

49510-49520 Nutrition

49530-49536 Child Nutrition Act of 1974

49547-49548.3 Comprehensive nutrition service

49550-49562 Meals for needy students
CODE OF REGULATIONS, TITLE 5
15510 Mandatory meals for needy students
15530-15535 Nutrition education
15550-15565 School lunch and breakfast programs
UNITED STATES CODE, TITLE 20
1232g Federal Educational Rights and Privacy Act
6301-6514 Title I programs
UNITED STATES CODE, TITLE 42
1751-1769j School lunch program
1771-1791 Child nutrition, especially:
1773 School breakfast program
CODE OF FEDERAL REGULATIONS, TITLE 7
210.1-210.31 National School Lunch Program
220.10-220.21 National School Breakfast Program
245.1-245.13 Determination of eligibility for free and reduced-price meals and free milk
WELFARE AND INSTITUTIONS CODE
14005.41 Basic health care

Management Resources:

CSBA PUBLICATIONS

Monitoring for Success: A Guide for Assessing and Strengthening Student Wellness Policies, 2012

Student Wellness: A Healthy Food and Physical Activity Policy Resource Guide, 2012

CALIFORNIA DEPARTMENT OF EDUCATION MANAGEMENT BULLETINS

NSD SNP-12-2015 Updated Guidance on Sharing of School Meal Applications and the Passing of Assembly Bill 1599, July 2015

USDA-SNP-07-2010 Change in Free and Reduced-Price Meal Application Approval Process, September 2010

CALIFORNIA DEPARTMENT OF EDUCATION PUBLICATIONS

Feed More Kids, Improve Program Participation

Direct Certification Implementation Checklist, May 2008

U.S. DEPARTMENT OF AGRICULTURE PUBLICATIONS

Eligibility Manual for School Meals: Determining and Verifying Eligibility, July 2015

Provision 2 Guidance: National School Lunch and School Breakfast Programs, Summer 2002

WEB SITES

CSBA: <http://www.csba.org>

California Department of Education, Nutrition Services Division:

<http://www.cde.ca.gov/ls/nu>

California Healthy Kids Resource Center: <http://www.californiahealthykids.org>

California Project LEAN (Leaders Encouraging Activity and Nutrition):

<http://www.californiaprojectlean.org>

U.S. Department of Agriculture, Food and Nutrition Service: <http://www.fns.usda.gov/cnd>

CSBA Sample

Board Policy

Other Food Sales

BP 3554

Business and Noninstructional Operations

Note: The following policy addresses food and beverage sales outside of the district's food service/cafeteria program, including the use of vending machines and student stores as well as food sales on school premises by student and/or adult organizations. For policy addressing sales by the food service/cafeteria program, see BP/AR 3550 - Food Service/Child Nutrition Program.

***Note: All outside food sales are subject to state law regarding nutritional standards, time and location of the sale, and other conditions; see the accompanying administrative regulation. In addition, pursuant to 7 CFR 210.11 and 220.12, districts participating in the National School Lunch Program (42 USC 1751-1769) and/or School Breakfast Program (42 USC 1771-1791) are mandated to establish rules or regulations to control the sale of food in competition with the breakfast or lunch program. The federal Child Nutrition and Women, Infants and Children (WIC) Reauthorization Act of 2004 (42 USC 1758b) also mandates each district participating in the National School Lunch and/or Breakfast Program to adopt a districtwide student wellness policy. See BP 5030 - Student Wellness for language fulfilling the student wellness mandate. ***

The Governing Board believes that sales of foods and beverages at school during the school day should be aligned with the district's goals to promote student wellness. Any food sales conducted outside the district's food service program shall meet nutritional standards specified in law, Board policy, and administrative regulation and shall not reduce student participation in the district's food service program.

(cf. 3550 - Food Service/Child Nutrition Program)
(cf. 3551 - Food Service Operations/Cafeteria Fund)
(cf. 3553 - Free and Reduced Price Meals)
(cf. 5030 - Student Wellness)
(cf. 5141.27 - Food Allergies/Special Dietary Needs)

The Board authorizes the Superintendent or designee to approve the sale of foods and beverages outside the district's food service program, including sales by student or school-connected organizations, sales through vending machines, and/or sales at secondary school student stores for fundraising purposes.

(cf. 1230 - School-Connected Organizations)
(cf. 1321 - Solicitations of Funds from and by Students)

When vending machines are sponsored by the district or a student or adult organization,

the Superintendent or designee shall determine how and where vending machines may be placed at school sites, district offices, or other school facilities.

(cf. 3312 - Contracts)

Legal Reference:

EDUCATION CODE

35182.5 Contracts, non-nutritious beverages

48931 Authorization and sale of food

49430-49434 Pupil Nutrition, Health, and Achievement Act of 2001

51520 School premises; prohibited solicitations

CODE OF REGULATIONS, TITLE 5

15500 Food sales in elementary schools

15501 Sales in high schools and junior high schools

15575-15578 Requirements for foods and beverages outside the federal meals program

HEALTH AND SAFETY CODE

113700-114437 California Retail Food Code

UNITED STATES CODE, TITLE 42

1751-1769j National School Lunch Act, including:

1758b Local wellness policy

1771-1791 Child nutrition, School Breakfast Program

CODE OF FEDERAL REGULATIONS, TITLE 7

210.1-210.31 National School Lunch Program

220.1-220.21 National School Breakfast Program

Management Resources:

CSBA PUBLICATIONS

Nutrition Standards for Schools: Implications for Student Wellness, Policy Brief, rev. October 2007

Monitoring for Success: Student Wellness Policy Implementation Monitoring Report and Guide, 2007

Student Wellness: A Healthy Food and Physical Activity Policy Resource Guide, rev. April 2006

CALIFORNIA DEPARTMENT OF EDUCATION MANAGEMENT BULLETINS

06-110 Restrictions on Food and Beverage Sales Outside of the School Meal Program, August 2006

FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM PUBLICATIONS

Associated Student Body Accounting Manual and Desk Reference, 2002

NATIONAL ASSOCIATION OF STATE BOARDS OF EDUCATION PUBLICATIONS

Fit, Healthy and Ready to Learn, 2000

WEB SITES

CSBA: <http://www.csba.org>

California Department of Education, Nutrition Services Division:
<http://www.cde.ca.gov/ls/nu>

California Department of Public Health: <http://www.cdph.ca.gov>

California Healthy Kids Resource Center: <http://www.californiahealthykids.org>

California Project LEAN (Leaders Encouraging Activity and Nutrition):
<http://www.californiaprojectlean.org>
Centers for Disease Control and Prevention: <http://www.cdc.gov>
Fiscal Crisis and Management Assistance Team: <http://www.fcmat.org>
National Association of State Boards of Education (NASBE): <http://www.nasbe.org>
U.S. Dept. of Agriculture, Food and Nutrition Information Center:
<http://www.nal.usda.gov/fnic>

(11/03 11/05) 11/07

CSBA Sample

Board Policy

Nutrition Program Compliance

BP 3555

Business and Noninstructional Operations

Note: The following policy is mandated for any district whose child nutrition programs (i.e., National School Lunch Program, School Breakfast Program, Special Milk Program, and/or other child nutrition program) receive state or federal funding. 5 CCR 4621 mandates that districts adopt uniform complaint procedures for the investigation and resolution of specified types of complaints, and 5 CCR 4610 makes those procedures applicable to allegations of unlawful discrimination, harassment, intimidation, bullying, or violation of state or federal laws governing educational programs, including child nutrition programs. See BP/AR 1312.3 - Uniform Complaint Procedures.

Note: Various state and federal laws prohibit discrimination in district programs and activities on the basis of actual or perceived race, color, ancestry, national origin, ethnic group, age, religion, marital or parental status, disability, sex, sexual orientation, gender, gender identity or expression, or genetic information, or association with a person or group with one or more of these actual or perceived characteristics. See BP 0410 - Nondiscrimination in District Programs and Activities. 7 CFR 210.23, 215.7, and 220.7 specify that children must not be denied benefits or discriminated against in child nutrition programs on the basis of race, color, national origin, sex, age, or disability, and complaints alleging discrimination on any of these bases may be investigated by the California Department of Education (CDE) or the U.S. Department of Agriculture, Food and Nutrition Service (FNS).

Note: The CDE's Civil Rights and Complaint Procedures for the U.S. Department of Agriculture Child Nutrition Programs and FNS Instruction 113-1, Civil Rights Compliance and Enforcement - Nutrition Programs and Activities, provide guidance to districts on how best to comply with federal law.

The Governing Board recognizes the district's responsibility to comply with state and federal nondiscrimination laws as they apply to the district's nutrition programs. The district shall not deny any individual the benefits or service of any nutrition program or discriminate against him/her on any basis prohibited by law.

(cf. 0410 - Nondiscrimination in District Programs and Activities)
(cf. 3550 - Food Service/Child Nutrition Program)
(cf. 3552 - Summer Meal Program)
(cf. 3553 - Free and Reduced Price Meals)
(cf. 5030 - Student Wellness)

Coordinator

Note: According to the CDE's Civil Rights and Complaint Procedures for the Child Nutrition Programs, districts are required to appoint a civil rights coordinator to be responsible for ensuring district compliance with law governing child nutrition programs. The following paragraph may be revised to reflect district practice.

The Board designates the compliance officer(s) specified in AR 1312.3 - Uniform Complaint Procedures as the district's civil rights coordinator to ensure compliance with the laws governing its nutrition programs and to investigate any related complaints.

Note: Items #1-10 below reflect the duties of the coordinator as provided in CDE's Civil Rights and Complaint Procedures for the Child Nutrition Programs.

The responsibilities of the compliance officer/coordinator include, but are not limited to:

1. Providing the name of the civil rights coordinator, Section 504 coordinator, and Title IX coordinator, if different from the civil rights coordinator, to the California Department of Education and other interested parties

(cf. 6164.6 - Identification and Education Under Section 504)

2. Annually providing mandatory civil rights training to all frontline staff who interact with program applicants or participants and to those who supervise frontline staff

Note: FNS Instruction 113-1 lists required components of training that must be provided to nutrition program staff, as provided below.

The subject matter of such training shall include, but not be limited to, collection and use of data, effective public notification systems, complaint procedures, compliance review techniques, resolution of noncompliance, requirements for reasonable accommodation of persons with disabilities, requirements for language assistance, conflict resolution, and customer service.

3. Establishing admission and enrollment procedures that do not restrict enrollment of students on the basis of race, ethnicity, national origin, or disability, including preventing staff from incorrectly denying applications and ensuring that such persons have equal access to all programs

(cf. 6159 - Individualized Education Program)

4. Sending a public release announcing the availability of the child nutrition programs and/or changes in the programs to public media and to community and grassroots organizations that interact directly with eligible or potentially eligible participants

5. Communicating the program's nondiscrimination policy and applicable complaint procedures, as provided in the section "Notifications" below

6. Providing appropriate translation services when a significant number of persons in

the surrounding population have limited English proficiency

7. Ensuring that every part of a facility is accessible to and usable by persons with disabilities and that participants with disabilities are not excluded from the benefits or services due to inaccessibility of facilities

8. Ensuring that special meals are made available to participants with disabilities who have a medical statement on file documenting that their disability restricts their diet

(cf. 5141.27 - Food Allergies/Special Dietary Needs)

9. Implementing procedures to process and resolve civil rights (discrimination) complaints and program-related complaints, including maintaining a complaint log and working with the appropriate person to resolve any complaint

Note: Districts receiving federal financial assistance are required to request racial/ethnic data of all program applicants and participants for purposes of determining whether the program reaches potential eligible persons, identifying areas where additional outreach is needed, selecting locations for compliance reviews, and completing required reports. According to FNS Instruction 113-1, using the applicant's self-identification or self-reporting is the preferred method of obtaining racial and ethnic data.

10. Developing a method, which preferably uses self-identification or self-reporting, to collect racial and ethnic data for potentially eligible populations, applicants, and participants

(cf. 5022 - Students and Family Privacy Rights)

(cf. 5125 - Student Records)

Notifications

The U.S. Department of Agriculture's (USDA) "And Justice for All" civil rights poster or a substitute poster approved by the USDA's Food and Nutrition Service shall be displayed in areas visible to the district's nutrition program participants, such as food service areas and school offices.

Note: FNS Instruction 113-1 requires districts to notify nutrition program applicants, participants, and potentially eligible persons of program availability, rights, and responsibilities and to advise them at each service delivery site (e.g., the school) regarding the procedure for filing a complaint. Such notice may be distributed through student and parent/guardian handbooks or other method of parental notifications.

The coordinator shall notify the public, all program applicants, participants, and potentially eligible persons of their program rights and responsibilities and steps necessary for participation. Applicants, participants, and the public also shall be advised of their right to file a complaint, how to file a complaint, the complaint procedures, and that a complaint may be filed anonymously or by a third party.

(cf. 5145.6 - Parental Notifications)

Note: As part of its instructions to all recipients of federal funds, FNS requires that all forms of communication available to the public regarding program availability also contain information about that recipient's status as an equal opportunity provider and the address of the agency with responsibility to handle complaints made against the recipient. FNS provides specific language for the notification and prohibits its modification in any way. The FNS requires that all documents, pamphlets, brochures, and other materials be updated to include the 2015 statement when supplies are exhausted, but no later than September 30, 2016.

In addition, all forms of communication available to the public regarding program availability shall contain, in a prominent location, the following statement:

"In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, sex, disability, age, or reprisal or retaliation for prior civil rights activity in any program or activity conducted or funded by USDA.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.), should contact the Agency (State or local) where they applied for benefits. Individuals who are deaf, hard of hearing or have speech disabilities may contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, (AD-3027) found online at: http://www.ascr.usda.gov/complaint_filing_cust.html, and at any USDA office, or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by:

- (1) mail: U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410;
- (2) fax: (202) 690-7442; or
- (3) email: program.intake@usda.gov.

This institution is an equal opportunity provider."

Forms of communication requiring this nondiscrimination statement include, but are not

limited to, web sites, public information releases, publications, and posters, but exclude menus. The nondiscrimination statement need not be included on every page of program information on the district's or school's web site, but the statement or a link to the statement shall be included on the home page of the program information.

A short version of the nondiscrimination statement, stating "This institution is an equal opportunity provider," may be used on pamphlets, brochures, and flyers in the same print size as the rest of the text.

Complaints

Any complaint concerning the district's nutrition programs shall be investigated using the process identified in AR 1312.3 - Uniform Complaint Procedures.

(cf. 1312.3 - Uniform Complaint Procedures)

When a complaint alleging discrimination on the basis of race, color, national origin, sex, age, or disability is unresolved at the district level, the coordinator shall notify the complainant of the option to contact and/or forward his/her complaint to one of the following agencies:

1. Child Nutrition Program Civil Rights and Program Complaint Coordinator, California Department of Education, Nutrition Services Division, 1430 N Street, Room 4503, Sacramento, CA 95814-2342 or call (916) 323-8531 or (800) 952-5609
2. U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410, (866) 632-9992, (800) 877-8339 (Federal Relay Service - English), (800) 845-6136 (Federal Relay Service - Spanish), fax (202) 690-7442, or email program.intake.usda.gov.

Legal Reference:

EDUCATION CODE

200-262.4 Prohibition of discrimination

48985 Notices to parents in language other than English

49060-49079 Student records

49490-49590 Child nutrition programs

PENAL CODE

422.6 Interference with constitutional right or privilege

CODE OF REGULATIONS, TITLE 5

3080 Application of section

4600-4687 Uniform complaint procedures

4900-4965 Nondiscrimination in elementary and secondary education programs

UNITED STATES CODE, TITLE 20

1400-1482 Individuals with Disabilities in Education Act

1681-1688 Discrimination based on sex or blindness, Title IX

UNITED STATES CODE, TITLE 29

794 Section 504 of the Rehabilitation Act of 1973
UNITED STATES CODE, TITLE 42
2000d-2000d-7 Title VI, Civil Rights Act of 1964
2000e-2000e-17 Title VII, Civil Rights Act of 1964 as amended
2000h-2000h-6 Title IX
12101-12213 Americans with Disabilities Act
CODE OF FEDERAL REGULATIONS, TITLE 7
210.23 National School Lunch Program, district responsibilities
215.7 Special Milk Program, requirements for participation
215.14 Special Milk Program, nondiscrimination
220.7 School Breakfast Program, requirements for participation
225.3 Summer Food Service Program, administration
225.7 Summer Food Service Program, program monitoring
CODE OF FEDERAL REGULATIONS, TITLE 28
35.101-35.190 Americans with Disabilities Act
36.303 Auxiliary aids and services
CODE OF FEDERAL REGULATIONS, TITLE 34
100.1-100.13 Nondiscrimination in federal programs, effectuating Title VI
104.1-104.39 Section 504 of the Rehabilitation Act of 1973
106.1-106.61 Discrimination on the basis of sex, effectuating Title IX, especially:
106.9 Dissemination of policy

Management Resources:

CALIFORNIA DEPARTMENT OF EDUCATION PUBLICATIONS
Civil Rights and Complaint Procedures for the U.S. Department of Agriculture Child
Nutrition Programs, rev. November 2015
U.S. DEPARTMENT OF AGRICULTURE, FOOD AND NUTRITION SERVICE
PUBLICATIONS
Civil Rights Compliance and Enforcement - Nutrition Programs and Activities, FNS
Instruction 113-1, November 2005
U.S. DEPARTMENT OF EDUCATION, OFFICE FOR CIVIL RIGHTS PUBLICATIONS
Notice of Non-Discrimination, August 2010
WEB SITES
California Department of Education, Nutrition Services Division:
<http://www.cde.ca.gov/ls/nu>
U.S. Department of Agriculture, Food and Nutrition Services: <http://www.fns.usda.gov>
U.S. Department of Agriculture, Office for Civil Rights: <http://www.ascr.usda.gov>
U.S. Department of Education, Office for Civil Rights: <http://www2.ed.gov/ocr>

Work Sheet for 2017-2018 Santa Cruz County School District Calendars

Event	COE	Bonny Doon	Happy Valley	Live Oak	Mountain	Pacific	PVUSD	SLV	SCCS	Scotts Valley	Soquel	PCS
1 st Student Day						8/23	8/16					
Labor Day	9/4	9/4	9/4	9/4	9/4	9/4	9/4	9/4	9/4	9/4	9/4	9/4
Veteran's Day	11/10	11/10	11/10	11/10	11/10	11/10	11/10	11/10	11/10	11/10	11/10	11/10
Thanksgiving Break	11/22-11/24					11/22-11/24	11/22-11/24					
Winter Break						12/22-1/5	12/25-1/16					
ML King	1/15	1/15	1/15	1/15	1/15	1/15	1/15	1/15	1/15	1/15	1/15	1/15
Lincoln's Birthday	2/12	2/12	2/12	2/12	2/12	2/16	2/12	2/12	2/12	2/12	2/12	2/12
President's Day	2/19					2/19	2/19					
Spring Break						4/2-4/6	4/2 – 4/6	4/2-4/6				
Memorial Day	5/28	5/28	5/28	5/28	5/28	5/28	5/28	5/28	5/28	5/28	5/28	5/28
Last Day						6/7	6/8					
Additional Days Off						PD=11/1 & 3/16						
Comments						5 prep = 8/16-8/22						

*Christmas Day is Monday/New Year's Day is Monday ***Good Friday & Easter are April 14 & April 16

PACIFIC ELEMENTARY SCHOOL DISTRICT

COUNTY OF SANTA CRUZ
DAVENPORT, CALIFORNIA

ANNUAL FINANCIAL REPORT
JUNE 30, 2016

ROBERTSON & ASSOCIATES, CPAs
A Professional Corporation

PACIFIC ELEMENTARY SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 2016

The Pacific Elementary School District (District) was established in September 1905 and comprises an area located in Santa Cruz County. There were no changes in the boundaries of the District during the current year. The District currently operates one elementary school.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Gwyon Rhabyt	President	November, 2016
Mr. Don Croll	Clerk	November, 2018
Mr. Roger Knapp *	Trustee	November, 2018

* Mr. Knapp resigned as Trustee to the District in September, 2016.
Ms. Leanne Salandro has been appointed as Trustee.

ADMINISTRATION

<u>Name</u>	<u>Title</u>	<u>Tenure</u>
Mr. Eric Gross	Superintendent	1 Year
Ms. Elizabeth Andrews	Business Manager	1 Year

ADDRESS OF DISTRICT OFFICE

50 Ocean Street
P.O. Box H
Davenport, CA 95017

PACIFIC ELEMENTARY SCHOOL DISTRICT
JUNE 30, 2016

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PACIFIC ELEMENTARY SCHOOL DISTRICT
JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Pacific Elementary School District
Davenport, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, and schedule of contributions, on pages 4 through 15 and 55 through 59, 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 combining nonmajor fund financial statements and the District's introductory section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying supplementary information as listed in the table of contents are required by the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

This information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and accompanying supplementary information as listed in the table of contents as required by the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section 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 1, 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.

Robertson & Associates, CPAs

Lakeport, California
December 1, 2016

**Pacific Elementary School District
Management's Discussion and Analysis
June 30, 2016**

INTRODUCTION

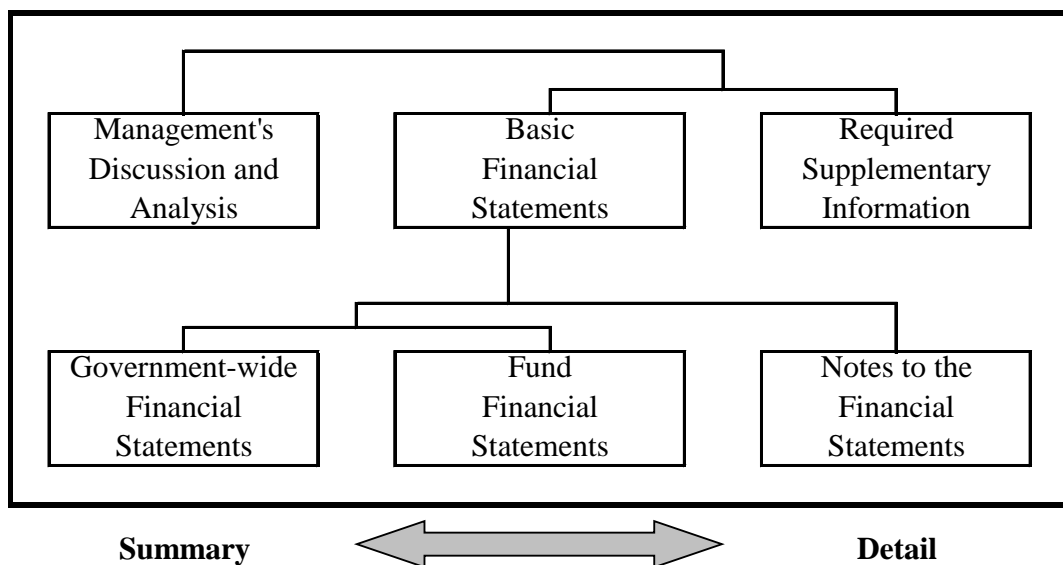
Our discussion and analysis of Pacific Elementary School District (District's) financial performance provides an overview of the District's financial activities for the year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ❑ Total net position was \$652,148 at June 30, 2016. This was a decrease of \$19,246 from the prior year.
- ❑ Overall revenues were \$1,550,164, overall expenses were \$1,569,410, of which \$1,766 of revenues and \$3,067 of expenses relate to the District's Cafeteria enterprise fund.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



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

- ❑ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the District’s overall financial position.
- ❑ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - **Governmental fund** statements tell how general government services were financed in the short term as well as what remains for future spending.
 - **Proprietary fund** statements provide both short and long-term information about the District’s Cafeteria Enterprise Fund.

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

Government-Wide Statements

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

The two government-wide statements report the District’s net position and how they have changed. Net position, the difference between assets and liabilities, is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial health is improving or deteriorating, respectively. The net position of the District has decreased by 3% in the past year. This was due to a combination of events; increase in Special Education Costs; decrease in donation revenues from the Pacific School Foundation. Also, the District closed their Cafeteria Enterprise fund which decreased their net position by \$3,384. The Building Fund completed 90% of the new multi-purpose portable.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in enrollment, changes in the property tax base, and changes in program funding by the Federal and State governments, and condition of facilities. The District’s average daily attendance has increased by 7.62 ADA in the past year and the local tax base increased which help mitigate increase in Special Ed cost. There were changes in Administrative personnel that contributed to increase in costs.

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund Financial Statements

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

- Some funds are required to be established by State law and by bond covenants.
- The governing board establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues.

The District has two types of funds:

- Governmental funds – All 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 determine whether there are more or fewer financial resources than previously to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information following the governmental funds' statements that explains the relationship (or differences) between them.
- Proprietary funds – One type of proprietary fund, the enterprise fund, reports the business-type activities, but provides more detail and additional information, such as cash flows. Internal service funds (the other type of proprietary fund) reports activities that provide supplies and services for the other programs and activities of the District. Proprietary funds are reported in the same way as the government-wide statements.
 - The District's enterprise fund currently consists of food services. The Food Service fund reports activities that provide cafeteria and catering services for the staff and special activities outside of the normal operation of the District.

The financial performance of the District is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,380,348 as compared to the prior year's ending fund balance of \$2,004,611.

The District's proprietary fund reported a fund balance of \$0 as compared to the prior year's ending fund balance of \$12,045.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$652,148 at June 30, 2016.

	Primary Government		
	2016	2015	Net Change
ASSETS			
Cash and Equivalents	\$ 1,747,989	\$ 2,047,534	\$ (299,545)
Other Current Assets	59,001	40,820	18,181
Capital Assets,			
Net of Accumulated Depreciation	1,263,721	506,673	757,048
TOTAL ASSETS	\$ 3,070,711	\$ 2,595,027	\$ 475,684
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow of Resources - Pensions	\$ 185,667	\$ 84,049	\$ 101,618
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 185,667	\$ 84,049	\$ 101,618
LIABILITIES			
Current Liabilities	\$ 439,440	\$ 84,496	\$ 354,944
Long-Term Liabilities	1,944,776	1,724,678	220,098
TOTAL LIABILITIES	\$ 2,384,216	\$ 1,809,174	\$ 575,042
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources Pensions	\$ 220,014	\$ 198,508	\$ 21,506
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 220,014	\$ 198,508	\$ 21,506
NET POSITION			
Invested in Capital Assets,			
Net of Related Debt	\$ 435,250	\$ (321,798)	\$ 757,048
Restricted	471,937	1,173,178	(701,241)
Unrestricted	(255,039)	(179,986)	(75,053)
TOTAL NET POSITION	\$ 652,148	\$ 671,394	\$ (19,246)

Changes in Net Position

	Primary Government		
	2016	2015	Net Change
REVENUES			
Program Revenues:			
Charges for Services	\$ 97,049	\$ 84,790	\$ 12,259
Operating Grants and Contributions	345,879	315,454	30,425
General Revenues:			
Property Taxes	232,748	188,829	43,919
Unrestricted Federal and State Aid	786,791	675,213	111,578
Miscellaneous and Other Local	87,697	89,439	(1,742)
TOTAL REVENUES	<u>1,550,164</u>	<u>1,353,725</u>	<u>196,439</u>
EXPENSES			
Instruction	908,955	803,244	105,711
Instruction-Related Services	200,238	164,582	35,656
Pupil Services	131,093	84,078	47,015
General Administration	131,764	108,850	22,914
Plant Services	107,019	58,904	48,115
Ancillary Services	-	4,701	(4,701)
Community Services	35,375	30,523	4,852
Transfers Between Agencies	264	165	99
Interest on Long-Term Debt	51,635	46,295	5,340
Business-Type Activities:			
Food Services	3,067	15,234	(12,167)
TOTAL EXPENSES	<u>1,569,410</u>	<u>1,316,576</u>	<u>252,834</u>
INCREASE (DECREASE) IN NET POSITION	(19,246)	37,149	(56,395)
NET POSITION - BEGINNING	<u>671,394</u>	<u>634,245</u>	<u>37,149</u>
NET POSITION - ENDING	<u>\$ 652,148</u>	<u>\$ 671,394</u>	<u>\$ (19,246)</u>

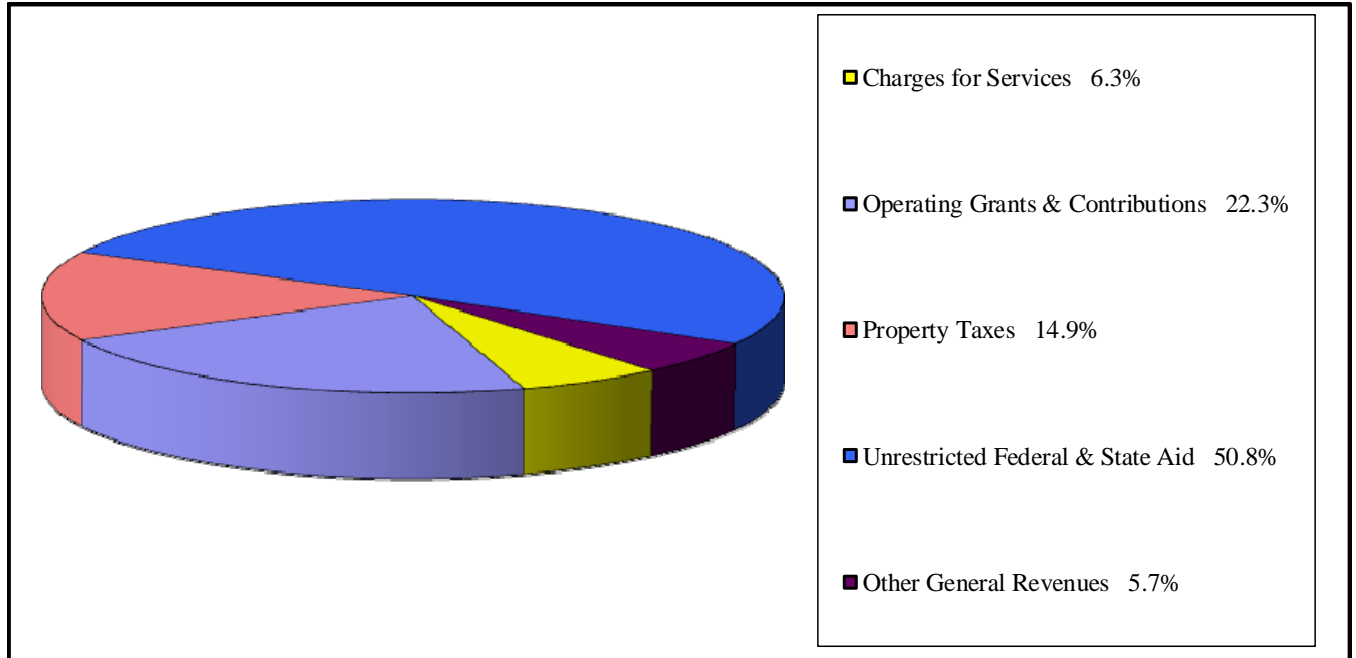
Primary Government

Net cost is total cost less fees generated by the related activity. The net cost reflects amounts funded by charges for services, operating grants and capital grants and contributions.

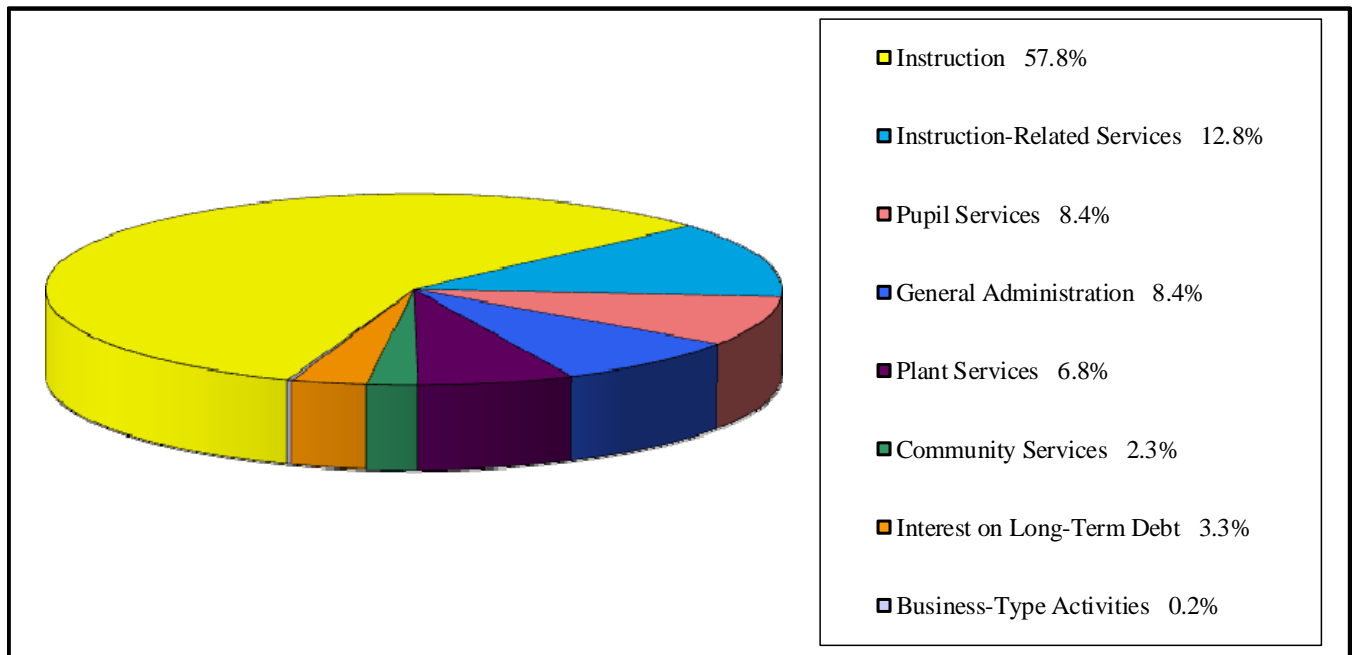
Net Cost of Services

	Net Cost of Services		Net Change
	2016	2015	
NET COST OF SERVICES			
Instruction	\$ 725,642	\$ 574,231	\$ 151,411
Instruction-Related Services	187,692	154,673	33,019
Pupil Services	57,890	(3,380)	61,270
General Administration	128,850	106,506	22,344
Plant Services	36,576	58,185	(21,609)
Facility Acquisition and Construction	(98,599)	(42,025)	(56,574)
Ancillary Services	-	4,701	(4,701)
Community Services	35,375	30,523	4,852
Transfers Between Agencies	264	165	99
Interest on Long-Term Debt	51,635	46,295	5,340
Other Outgo	(144)	(2,621)	2,477
Business-Type Activities:			
BUSINESS TYPE EXPENSES	1,301	(10,921)	12,222
TOTAL NET COSTS OF SERVICES	<u>\$ 1,126,482</u>	<u>\$ 916,332</u>	<u>\$ 197,928</u>

2015/2016 Summary of Revenues for Governmental and Business-Type Activities



2015/2016 Summary of Expenses for Governmental and Business-Type Activities



Fund Balance Comparison

The District currently maintains the following funds:

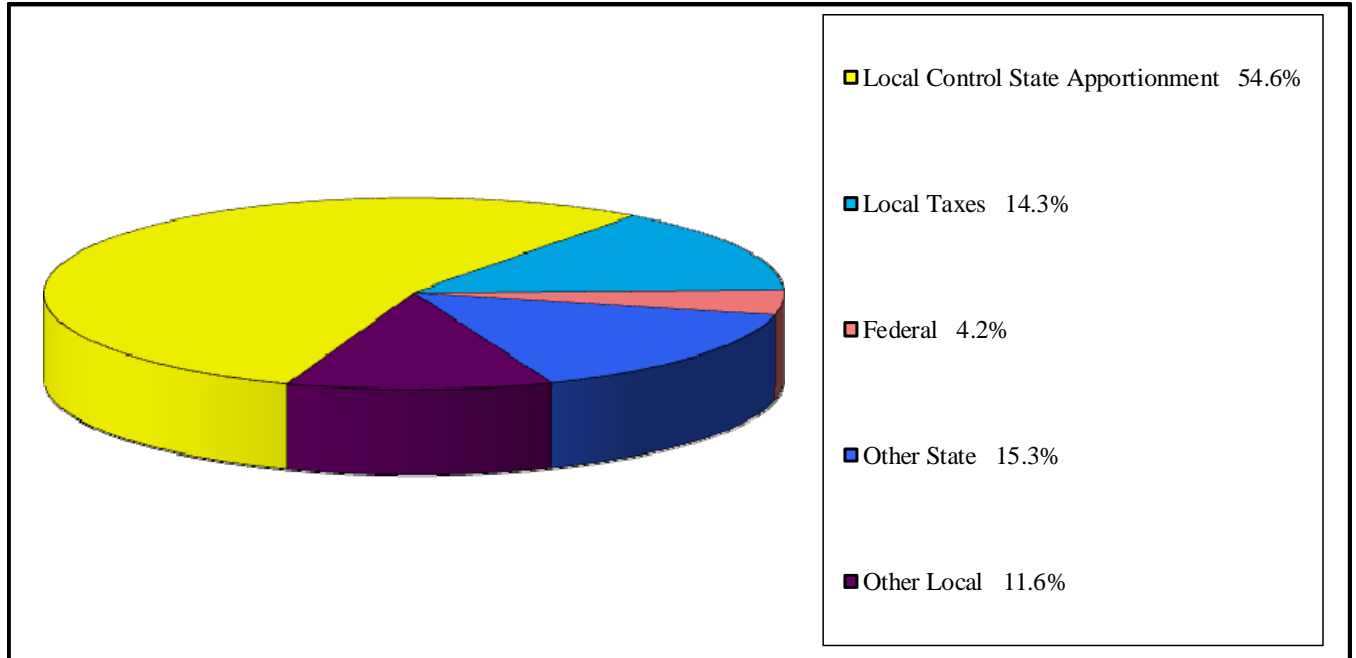
FUNDS	Ending Fund Balance		Net Change
	2016	2015	
Governmental:			
General	\$ 1,005,836	\$ 895,527	\$ 110,309
Child Development	27,656	12,106	15,550
Cafeteria Special Revenue	17,838	9,177	8,661
Deferred Maintenance	6,171	843	5,328
Building	299,539	1,043,461	(743,922)
Capital Facilities	2,315	26,625	(24,310)
Bond Interest and Redemption	20,993	16,872	4,121
Total Governmental	1,380,348	2,004,611	(624,263)
Proprietary:			
Enterprise:			
Cafeteria Enterprise	-	12,045	(12,045)
Total Proprietary	-	12,045	(12,045)
TOTAL FUNDS	\$ 1,380,348	\$ 2,016,656	\$ (636,308)

General Fund

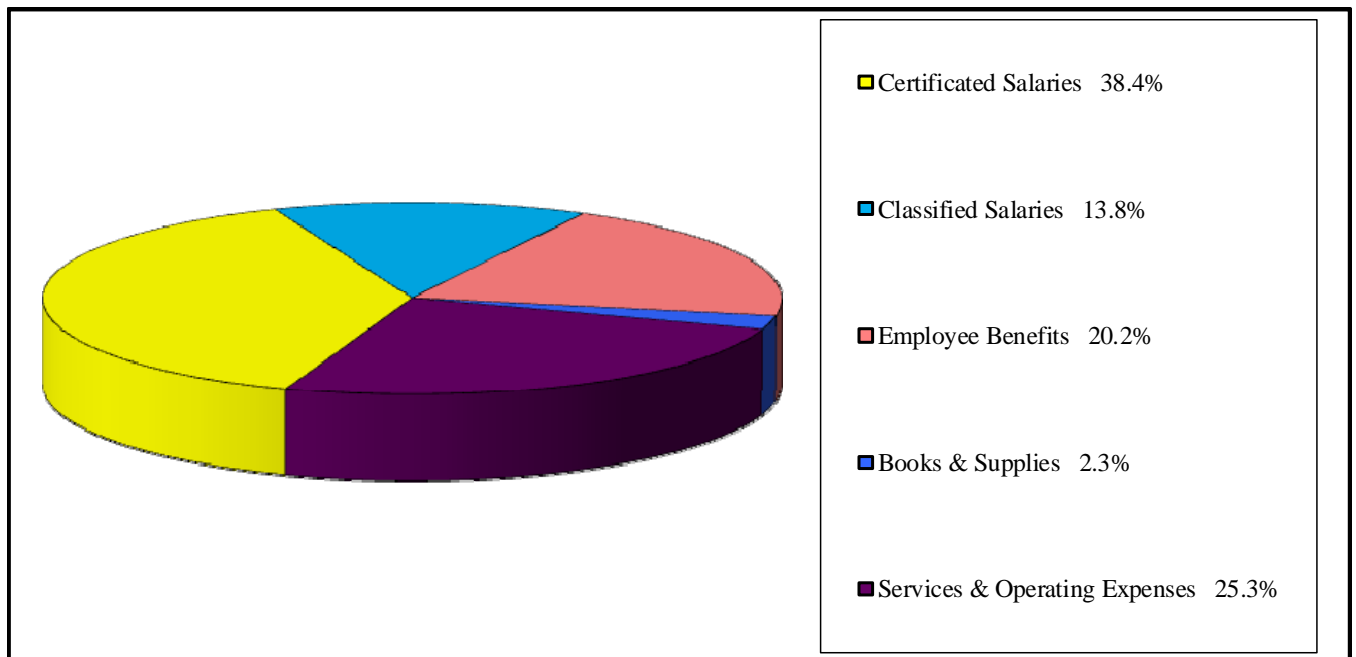
The General Fund had an overall increase in fund balance due to the increase in ADA and LCFF funding. However, the District had unforeseen increases in Special Education costs, changes in Certificated and Classified Personnel, and Prop. 39 (Energy Grant) program expenditures. The General fund still had a healthy \$108,000 increase in Fund Balance.

The following charts graphically depict revenues and expenditures, both by major object as well as by function.

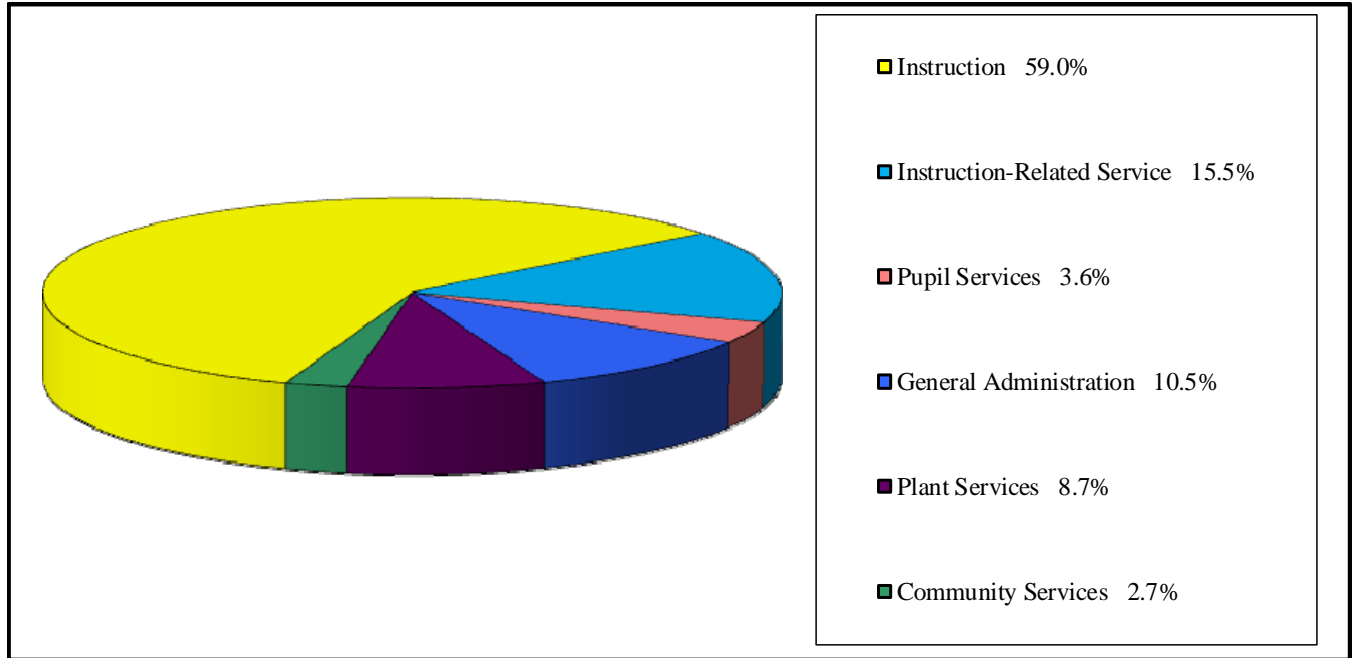
2015/2016 General Fund Revenues



2015/2016 General Fund Expenditures by Object



2015/2016 General Fund Expenditures by Function



Other Governmental Funds

Other governmental funds had the following activity and changes for the year ended June 30, 2016:

The Child Development Fund received approximately the same revenue from the state, but received a new QIRS grant which increased local revenue by \$6,000. There was not a corresponding increase in expenditures which contributed to an increase in fund balance from the prior year.

The Cafeteria Special Revenue Fund experienced no significant changes during the year. The old Friends of Food Lab program was combined into one Fund.

The Deferred Maintenance Fund experienced no significant changes during the year. The District continued to transfer LCFF dollars for their facility maintenance program.

The Building Fund started and almost completed work on the Multi-purpose building and classroom. There were major administrative and construction costs during the year. The project is waiting for final permit to be issued.

The Capital Facilities Fund had received one developer fee during the year. However, expenditures for the new Classrooms within the Multi-purpose building were taken from this fund. This reduced fund balance by 91%.

The Bond Interest and Redemption Fund had no substantial changes during the year. The first principal payment on the bond will begin in 2018.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had \$1,263,721 invested, net of accumulated depreciation, in capital assets. Current year depreciation expense is \$19,193.

The new Multi-purpose building and classroom were started and the costs were labeled as Construction in Progress. The Buildings are scheduled to be completed before the 2016/2017 school year begins.

	Governmental Activities		
	2016	2015	Net Change
CAPITAL ASSETS			
Construction In Progress	\$ 958,528	\$ 182,287	\$ 776,241
Land Improvements	115,548	115,548	-
Buildings And Improvements	871,092	871,092	-
Accumulated Depreciation	(681,447)	(662,254)	(19,193)
NET CAPITAL ASSETS	<u>\$ 1,263,721</u>	<u>\$ 506,673</u>	<u>\$ 757,048</u>

Long-Term Debt

At June 30, 2016, the District had \$1,944,776 in long-term debt.

The General Obligation Bonds are held in the Bond Interest and Redemption Fund maintained by Santa Cruz County Treasurer. Changes are associated with the accrual and payment of interest. With the implementation of GASB 68, the District must reflect its amount of unfunded STRS/PERS liability with the State of California. Currently, the District's Net Pension Liability or their portion of the unfunded STRS/PERS liability is \$946,925 which increased by \$203,621 from 2015.

	Governmental Activities		
	2016	2015	Net Change
LONG-TERM DEBT			
General Obligation Bonds Payable	\$ 997,851	\$ 981,374	\$ 16,477
Net Pension Liability	946,925	743,304	203,621
TOTAL LONG-TERM DEBT	<u>\$ 1,944,776</u>	<u>\$ 1,724,678</u>	<u>\$ 220,098</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference in the original versus final budget amounts and actual versus budget amounts is primarily due to the following:

- ❑ The July 1st budget included expenditures for Prop. 39 Energy Grant State \$100,349, but only \$51,860 was spent.
- ❑ The District received additional Special Education revenue and donations during the year. These revenues were not included in the July 1st budget.
- ❑ The July 1st budget did not include revenues for the STRS On-Behalf; One time Educator Effectiveness grant, or the Prop. 39 second and third distributions.
- ❑ The July 1st budget did not include a One-time Special Education settlement of \$44,000 under services.
- ❑ An interim principal was in place during the first part of the 2015/16 school year and a new Superintendent/Principal was hired after 10/31/15. Salary and benefits costs were budgeted at a lower amount.
- ❑ In the Building Fund, July 1st budget did not include the overall expense of the project only a small portion.

Over the course of the year, the District revises its annual budget to reflect unexpected changes in revenues and expenditures. The final amendment to the budget was approved June 23, 2016. A schedule of the District's General Fund original and final budget amounts compared with actual revenues and expenditures is provided with the basic financial statements in the audited financial report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- ❑ Two new Special Education students required additional Certificated and Classified Staff. Also costs for Speech and OT will increase. Total estimated increase in costs \$30,000.
- ❑ The Prior Year's Special Education settlement will continue through the end of September, 2017. Increase in costs by \$23,000.
- ❑ Enrollment decreased, but ADA will be held at prior year levels.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, 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 questions about this report, or need additional financial information, contact Eric Gross, P.O. Box H, 50 Ocean Street, Davenport, CA 95017, phone 831-425-7002.

FINANCIAL SECTION

PACIFIC ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities
ASSETS		
Cash and equivalents	\$ 1,747,989	\$ -
Accounts receivable	59,001	-
Capital assets:		
Non-depreciable	958,528	
Depreciable, net of accumulated depreciation	305,193	
Total Assets	<u>\$ 3,070,711</u>	<u>\$ -</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - Pensions	\$ 185,667	\$ -
Total Deferred Outflows of Resources	<u>\$ 185,667</u>	<u>\$ -</u>
LIABILITIES		
Accounts payable	\$ 426,642	-
Interest payable	12,798	-
Long-term debt:		
Due within one year	103,774	
Due after one year	1,841,002	\$ -
Total Liabilities	<u>\$ 2,384,216</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - Pensions	\$ 220,014	\$ -
Total Deferred Inflows of Resources	<u>\$ 220,014</u>	<u>\$ -</u>
NET POSITION		
Net Investment in capital assets	\$ 435,250	\$ -
Restricted for:		
Capital projects	301,854	-
Debt service	20,993	-
Educational programs	125,081	-
Other purposes (expendable)	24,009	-
Unrestricted	(255,039)	-
Total Net Position	<u>\$ 652,148</u>	<u>\$ -</u>

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

PACIFIC ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Primary Government Total
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 908,955	\$ 4,131	\$ 179,182	\$ (725,642)		\$ (725,642)
Instruction-related services:						
Supervision of instruction	9,039	-	8,694	(345)		(345)
Instructional library, media and technology	5,725	-	-	(5,725)		(5,725)
School site administration	185,474	15	3,837	(181,622)		(181,622)
Pupil services:						
Food services	84,453	40,118	23,841	(20,494)		(20,494)
All other pupil services	46,640	1,773	7,471	(37,396)		(37,396)
General administration:						
Data processing	1,138	-	-	(1,138)		(1,138)
All other general administration	130,626	3	2,911	(127,712)		(127,712)
Plant services	107,019	40	70,403	(36,576)		(36,576)
Facility acquisition and construction	-	49,196	49,403	98,599		98,599
Community services	35,375	-	-	(35,375)		(35,375)
Transfers between agencies	264	-	-	(264)		(264)
Interest on long-term debt	51,635	-	-	(51,635)		(51,635)
Other outgo	-	76	68	144		144
Total Governmental Activities	<u>\$ 1,566,343</u>	<u>\$ 95,352</u>	<u>\$ 345,810</u>	<u>(1,125,181)</u>		<u>(1,125,181)</u>
BUSINESS-TYPE ACTIVITIES						
Food Services	\$ 3,067	\$ 377	\$ 15		\$ (2,675)	(2,675)
Other outgo	-	1,320	54		1,374	1,374
Total Business-Type Activities	<u>\$ 3,067</u>	<u>\$ 1,697</u>	<u>\$ 69</u>		<u>(1,301)</u>	<u>(1,301)</u>
GENERAL REVENUES						
Taxes and subventions:						
Property taxes levied for general purposes				193,522	-	193,522
Property taxes levied for debt service				39,224	-	39,224
Taxes levied for other specific purposes				2	-	2
Federal and state aid not restricted to specific purposes				786,791	-	786,791
Interest and investment earnings				6,678		6,678
Interagency revenues				2,280	-	2,280
Miscellaneous				78,739	-	78,739
Internal transfers				10,744	(10,744)	-
Total General Revenues				<u>1,117,980</u>	<u>(10,744)</u>	<u>1,107,236</u>
Change in Net Position				(7,201)	(12,045)	(19,246)
Net Position - Beginning				659,349	12,045	671,394
Net Position - Ending				<u>\$ 652,148</u>	<u>\$ -</u>	<u>\$ 652,148</u>

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

PACIFIC ELEMENTARY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 1,072,838	\$ 589,765	\$ 85,386	\$ 1,747,989
Accounts receivable	51,312	-	7,689	59,001
Total Assets	<u>\$ 1,124,150</u>	<u>\$ 589,765</u>	<u>\$ 93,075</u>	<u>\$ 1,806,990</u>
LIABILITIES				
Accounts payable	\$ 118,314	\$ 290,226	\$ 18,102	\$ 426,642
Total Liabilities	<u>118,314</u>	<u>290,226</u>	<u>18,102</u>	<u>426,642</u>
FUND BALANCES				
Non spendable				
Restricted	97,425	299,539	68,802	465,766
Committed				
Other commitments	-	-	6,171	6,171
Assigned				
Other assignments	384,565	-	-	384,565
Unassigned				
Reserve for economic uncertainties	75,000	-	-	75,000
Unassigned amount	448,846	-	-	448,846
Total Fund Balance	<u>1,005,836</u>	<u>299,539</u>	<u>74,973</u>	<u>1,380,348</u>
Total Liabilities and Fund Balance	<u>\$ 1,124,150</u>	<u>\$ 589,765</u>	<u>\$ 93,075</u>	<u>\$ 1,806,990</u>

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

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

	<u>Detail</u>	<u>Total</u>
Total fund balances - governmental funds		\$ 1,380,348
Amounts reported for governmental activities in the Statement of Net Position differ from amounts reported in governmental funds as follows:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Historical cost of capital assets	\$ 1,945,168	
Accumulated depreciation	<u>(681,447)</u>	
		1,263,721
Interest on long-term debt is not reported in the governmental funds 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 liabilities for the unmaturing interest owing at the end of the period are included on the Statement of Net Position.		(12,798)
Contributions to pension plans made subsequent to the measurement date are reported as expenditures in governmental funds, however, these contributions are reported as deferred outflows of resources in the statement of net position.		96,683
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities, net of unamortized premiums, discounts, and deferred charges, are included in the Statement of Net Position.		
General obligation bonds payable	(997,851)	
Net pension liability	<u>(946,925)</u>	
		(1,944,776)
The District's share of net differences between actual and expected experience are reported in the statement of net position as deferred outflows of resources.		22,720
The District's share of changes in assumptions are reported in the statement of net position as deferred inflows of resources.		(12,790)
The District's Change in employer's proportion and difference between the employer's contributions and the employer's proportionate share contributions are reported in the statement of net position as deferred inflows of		32,371
The District's share of net differences between projected and actual earnings on plan investments are reported in the statement of net position as deferred inflows and deferred outflows of resources.		<u>(173,331)</u>
Total net position, governmental activities		<u>\$ 652,148</u>

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

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

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local control sources:				
State apportionments	\$ 705,151	\$ -	\$ -	\$ 705,151
Local sources	185,809	-	10,000	195,809
Federal	54,206	-	21,510	75,716
Other state	197,353	-	49,926	247,279
Other local	150,086	5,819	168,538	324,443
Total Revenues	1,292,605	5,819	249,974	1,548,398
EXPENDITURES				
Instruction	692,069	-	106,693	798,762
Instruction related services:				
Supervision of instruction	9,039	-	-	9,039
Instructional library, media, and technology	5,725	-	-	5,725
School site administration	167,782	-	242	168,024
Pupil services:				
Food services	-	-	84,453	84,453
All other pupil services	42,668	-	-	42,668
General administration:				
Data processing	1,138	-	-	1,138
All other general administration	122,760	-	43	122,803
Plant services	101,667	-	5,352	107,019
Facility acquisition and construction	-	749,741	26,500	776,241
Community services	32,111	-	-	32,111
Transfers between agencies	264	-	-	264
Interest on long-term debt	-	-	35,158	35,158
Total Expenditures	1,175,223	749,741	258,441	2,183,405
Excess (deficiency) of revenues over (under) expenditures	117,382	(743,922)	(8,467)	(635,007)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	19,017	19,017
Operating transfers out	(7,073)	-	(1,200)	(8,273)
Total Other Financing Sources (Uses)	(7,073)	-	17,817	10,744
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	110,309	(743,922)	9,350	(624,263)
Fund Balance - Beginning	895,527	1,043,461	65,623	2,004,611
Fund Balance - Ending	\$ 1,005,836	\$ 299,539	\$ 74,973	\$ 1,380,348

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

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

	<u>Detail</u>	<u>Total</u>
Total change in fund balances - governmental funds		\$ (624,263)
Amounts reported for governmental activities differ from amounts reported in governmental funds as follows:		
Capital Outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	\$ 776,241	
Depreciation expense	<u>(19,193)</u>	
		757,048
Accreted interest on capital appreciation bonds is accrued as long-term debt in the government wide financials, increasing interest expense.		
		(23,568)
Repayment of the principal of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.		
Net OPEB Obligation		7,091
Contributions to pension plans made subsequent to the measurement date are reported as expenditures in governmental funds, however, these contributions are reported as deferred outflows of resources in the statement of net position.		
		96,683
Changes in the net pension liability, deferred outflows of and deferred inflows of resources are reported as pension expenses in the statement of activities.		
		<u>(220,192)</u>
Change in net position of governmental activities		<u><u>\$ (7,201)</u></u>

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

PACIFIC ELEMENTARY SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise
	<u>Business-type</u>
	<u>Activities</u>
	<u>Cafeteria</u>
	<u>Enterprise Fund</u>
ASSETS	
Total Assets	\$ -
LIABILITIES	
Total Liabilities	\$ -
NET POSITION	
Total Net Position	\$ -

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

PACIFIC ELEMENTARY SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise
	Business-type
	Activities
	Cafeteria
	Enterprise Fund
OPERATING REVENUES	
Other operating revenues	\$ 1,766
Total Operating Revenues	1,766
OPERATING EXPENSES	
Books, supplies and equipment	3,067
Total Operating Expenses	3,067
Operating income (loss)	(1,301)
Income before contributions and transfers	(1,301)
Transfers out to governmental funds	(10,744)
Change in Net Position	(12,045)
Net Position - Beginning	12,045
Net Position - Ending	\$ -

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

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

	Enterprise
	Business-type
	Activities
	Cafeteria
	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from charges for services	\$ 1,697
Cash received from operating grants and contributions	69
Cash paid for supplies	(4,175)
Cash transferred to governmental funds	(10,744)
Net cash provided (used) by operating activities	(13,153)
Net increase (decrease) in cash and cash equivalents	(13,153)
Cash and Cash Equivalents - Beginning	13,153
Cash and Cash Equivalents - Ending	\$ -
Reconciliation of net operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (12,045)
Accounts payable	(1,108)
Net cash provided (used) by operating activities	\$ (13,153)
NON CASH TRANSACTIONS	
There were no non-cash investing, capital, or financing activities.	

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

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Pacific Elementary School District (District) is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a three member Board of Trustees (Board) elected by registered voters of the District, which comprises an area in Santa Cruz County. The District was established in 1905 and serves students in grades K-6.

B. Accounting Policies

The District prepares its basic financial statements in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) and complies with the policies and procedures of the Department of Education's *California School Accounting Manual*.

C. Reporting Entity

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. The District is therefore a financial reporting entity as defined by the GASB in its Statement No. 14, *The Financial Reporting Entity*, as amended by GASB 39, *Determining Whether Certain Organizations Are Component Units*.

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to: whether the District exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's general-purpose financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Future Implementation of New Accounting Pronouncements

The following is a summary of the upcoming GASB Statements that may have an impact on the District's future reporting at the time of this report in order of implementation date:

GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

Effective for Periods beginning after – June 15, 2016.

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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

The scope of this Statement includes OPEB plans—defined benefit and defined contribution administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Effective for Periods beginning after – June 15, 2017.

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The provisions of these Statements generally are required to be applied retroactively for all periods presented. Early application, if allowable, was not adopted.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Presentation

1. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses, as appropriate.

The emphasis in fund financial statements is on the major funds in the activities categories. Non-major funds by category are summarized in to a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

The District's accounts are organized into major and non-major governmental funds as follows:

a. Major Governmental Funds

The *General 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 *Child Development Fund* is used to account for resources committed to child development programs maintained by the District.

The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings funded primarily with proceeds from the sale of bonds.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Non-major Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following non-major special revenue funds:

The *Cafeteria Fund* is used to account for revenues and expenditures associated with the District's food service program.

The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of the District's facilities.

Capital Projects Funds are used to account for the acquisition and construction of all major governmental capital assets. The District maintains the following non-major capital projects fund:

The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

Debt Service Funds are used to account for the accumulation of resources for, and the debt service payments related to, the District's debt issuances. The District maintains the following non-major debt service fund:

The *Bond Interest and Redemption Fund* is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the interest payments and redemption of principal of the District's general obligation bond issuance as discussed later in the Notes to Financial Statements.

c. Proprietary Funds

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Enterprise Funds are used to account for services provided to users on a cost-recovery basis. The District maintains the following non-major enterprise fund:

The *Cafeteria Enterprise Fund* is used to account for revenues received and expenditures made to operate the District cafeterias.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Basis of Accounting

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

1. Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectable within the current period or with 45, 60, 90 days after year-end, depending on the revenue source. 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 as collectible within one year.

Non-exchange transactions are those in which the District receives value without directly giving equal value in return; include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

2. Unearned Revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Expenses/Expenditures

Under the accrual basis of accounting, expenses are recognized at the time they are incurred. However, the measurement focus of governmental fund accounting is on decreases in the net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized on governmental fund financial statements.

G. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated revenue and expenditures. The original and final revised budgets for the General Fund are presented as required supplementary information in these financial statements.

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

H. 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 on June 30.

I. Assets, Liabilities, and Equity

1. Cash and Equivalents

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

2. Receivables

Accounts receivable in governmental fund types consist primarily of receivables from federal, state and local governments for various programs.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Prepaid Expenditures

The District has the option of reporting expenditures for prepaid items in governmental funds either when paid or during the benefiting period. The District has chosen to report the expenditure when paid and, therefore, no asset is reported.

4. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$20,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis and an annual convention over the following estimated useful lives:

Land improvements	20
Buildings and improvements	20 - 50

5. Compensated Absences

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

6. 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 plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the State Teachers' Retirement System (STRS) and the California Public Employees' Retirement System (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.

7. Accrued Liabilities and Long-Term Obligations

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

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

9. Fund Balance Classifications

The governmental fund financial statements present fund balances based on a classification hierarchy that depicts the extent to which the District is bound by spending constraints imposed on the use of its resources. The classifications used in the governmental fund financial statements are as follows:

a. Nonspendable Fund Balance

The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory and prepaid items. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact.

b. Restricted Fund Balance

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the highest level of decision-making authority. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

c. Committed Fund Balance

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the highest level of decision-making authority. The constraints giving rise to committed fund balance must be imposed no later than the end of the fiscal year. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements.

d. Assigned Fund Balance

The assigned fund balance classification reflects amounts that the District intends to be used for specific purposes. Assignments may be established either by the Board of Trustees or by a designee of the Board of Trustees, and are subject to neither the restricted nor committed levels of constraint.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the highest level of decision-making authority. The action may be delegated to another body or official.

e. Unassigned Fund Balance and Minimum Fund Balance Policy

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

The Reserve for Economic Uncertainties maintained by the District pursuant to the Criteria and Standards for fiscal solvency adopted by the State Board of Education is a stabilization-like arrangement of the "minimum fund balance policy" type. The Reserve for Economic Uncertainties does not meet the criteria to be reported as either restricted or committed because it is not an externally enforceable legal requirement, and because even where the Reserve for Economic Uncertainties is established by formal action of the District's highest level of decision-making authority, the circumstances in which the Reserve for Economic Uncertainties might be spent are by their nature neither specific nor non-routine. For this reason, the Reserve for Economic Uncertainties is reported as unassigned fund balance.

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The Board intends to maintain a minimum fund balance of 10% of the District's General Fund annual operating expenditures. If a fund balance drops below 10%, it shall be recovered at a rate of 1% minimally, each year.

The District's policy regarding the order in which spendable fund balances are spent when more than one classification is available for a specific purpose is that they are spent in restricted, committed, assigned, and then unassigned order.

10. Local Control Funding Formula / Property Taxes

The District's local control funding formula revenue is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula sources by the District.

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Local Control Funding Formula Revenue is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

J. Investment Valuation

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Cash in County Treasury pools are measured at fair value using level 1 inputs. Fair market value adjustments have not been recorded as they are determined immaterial to the District.

K. 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 reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

NOTE 2. CASH AND EQUIVALENTS

Cash and equivalents at June 30, 2016 are classified in the accompanying financial statements as follows:

	<u>Governmental Activities</u>
Cash and Equivalents	
Pooled Funds:	
Cash in county treasury	<u>\$ 1,747,989</u>
Total Cash and Equivalents	<u><u>\$ 1,747,989</u></u>

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2. CASH AND EQUIVALENTS (Continued)

A. Cash in County Treasury

In accordance with *Education Code* 41001, the District maintains substantially all of its cash in the Santa Cruz County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the County and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, Investments were stated at cost, as the fair market value adjustment at the year-end was immaterial.

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

The Treasury is restricted by *Government Code* Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

B. Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the District by the *California Government Code* Section 53601. This table also identifies certain provisions of the *California Government Code* that address interest rate risk, credit risk, and concentration of credit risk.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2. CASH AND EQUIVALENTS (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds or Notes	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	n/a	20%	10%
Mortgage Pass through Securities	5 years	20%	None
Joint Power Authority Pools	5 years	20%	None
County Pooled Investment Funds	n/a	None	None
Local Agency Investment Funds (LAIF)	n/a	None	None

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. As of June 30, 2016, the weighted average maturity of the investments contained in the Treasury investment pool was 377 days.

D. Credit Risk

Generally, credit risk, is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization.

E. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk for deposits.

Cash balances in banks and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2016, the District's bank balances were fully insured.

F. Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The *California Government Code* and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2. CASH AND EQUIVALENTS (Continued)

G. Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The *California Government Code* and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

NOTE 3. INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government wide financial statements.

A. Interfund Transfers

Permanent reallocations of resources between funds of the reporting District are classified as interfund transfers. As of June 30, 2016, interfund transfers are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
Cafeteria Fund	Cafeteria Enterprise Fund	\$ 10,744	To close fund.
Cafeteria Fund	Child Development Fund	1,200	To cover costs of breakfasts.
Cafeteria Fund	General Fund	6,073	To transfer old TIIB grant to Cafeteria fund.
Cafeteria Fund	General Fund	1,000	To transfer Recreation dollars to Cafeteria fund.
Total		<u>\$ 19,017</u>	

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4. CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2016, are shown below:

	Balance July 1, 2015	Additions	Decreases	Balance June 30, 2016
Capital Assets Not Being Depreciated:				
Construction in progress	\$ 182,287	\$ 776,241	\$ -	\$ 958,528
Total Capital Assets Not Being Depreciated	<u>182,287</u>	<u>776,241</u>	<u>-</u>	<u>958,528</u>
Capital Assets Being Depreciated:				
Land improvements	115,548	-	-	115,548
Buildings and improvements	871,092	-	-	871,092
Total Capital Assets Being Depreciated	<u>986,640</u>	<u>-</u>	<u>-</u>	<u>986,640</u>
Less Accumulated Depreciation for:				
Land improvements	(115,548)	-	-	(115,548)
Buildings and improvements	(546,706)	(19,193)	-	(565,899)
Total Accumulated Depreciation	<u>(662,254)</u>	<u>(19,193)</u>	<u>-</u>	<u>(681,447)</u>
Total Capital Assets Being Depreciated, Net	<u>324,386</u>	<u>(19,193)</u>	<u>-</u>	<u>305,193</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 506,673</u>	<u>\$ 757,048</u>	<u>\$ -</u>	<u>\$ 1,263,721</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	<u>\$ 19,193</u>
Total Depreciation Expense	<u><u>\$ 19,193</u></u>

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5. GENERAL OBLIGATION BONDS

In August 2013, the District issued General Obligation Bonds in the amount of \$828,471 for the purpose of financing the renovation, construction and improvement of school facilities in the District. The bonds were authorized pursuant to the election of the registered voters of the District held on November 6, 2012, and are payable from the ad valorem taxes to be levied annually upon all properties subject to taxation by the District. The current interest and capital appreciation bonds interest rates range between 5.25% and 12.00%. The bonds are scheduled to mature through August 2052.

The outstanding bonded debt of the District as of June 30, 2016 is as follows:

General Obligation Bonds	Date of Issuance	Interest Rate %	Maturity Date August 1	Amount of Original Issue	Outstanding Principal and Accreted Interest June 30, 2015	Current Year Additions	Accreted Interest Current Year	Redeemed Current Year	Balance June 30, 2016
2012 Current Interest	2013	5.25	2052	\$ 585,000	\$ 585,000	\$ -	\$ -	\$ -	\$ 585,000
2012 Capital Appreciation	2013	8.00 - 12.00	2047	1,635,000	285,304	-	23,568	-	308,872
Totals					<u>\$ 870,304</u>	<u>\$ -</u>	<u>\$ 23,568</u>	<u>\$ -</u>	<u>\$ 893,872</u>

Future debt service requirements related to this liability will continue to be accounted for in the District's Bond Interest and Redemption Fund and are as follows:

For the Year Ended June 30:	Principal and Accreted Interest	Future Interest	Total
2017	\$ -	\$ 30,714	\$ 30,714
2018	-	30,714	30,714
2019	15,690	35,024	50,714
2020	-	30,714	30,714
2021	-	30,714	30,714
2022 - 2026	39,507	184,063	223,570
2027 - 2031	50,140	233,430	283,570
2032 - 2036	57,249	316,321	373,570
2037 - 2041	55,244	413,326	468,570
2042 - 2046	52,548	541,022	593,570
2047 - 2051	418,494	526,462	944,956
2052 - 2053	205,000	8,007	213,007
Totals	<u>\$ 893,872</u>	<u>\$ 2,380,510</u>	<u>\$ 3,274,382</u>

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6. UNAMORTIZED BOND PREMIUMS

The District has sold its bonds at a total net premium of \$124,661. The premiums are being amortized using the straight-line method over the life of the related bond issue as a reduction in annual interest expense.

The annual amortization of the net bond premiums is as follows:

For the Year Ended June 30:	Annual Amortization
2017	\$ 7,091
2018	7,091
2019	5,974
2020	5,873
2021	5,873
2022 - 2026	25,632
2027 - 2031	19,713
2032 - 2036	14,166
2037 - 2041	8,874
2042 - 2046	3,979
2047 - 2051	(259)
2052 - 2053	(28)
Totals	<u>\$ 103,979</u>

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. 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 the California Public Employees' Retirement System (CalPERS).

A. California State Teachers' Retirement System

1. Plan Description and Provisions

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalSTRS website.

2. Benefits Provided

The plan provides retirement, disability, and survivor benefits to beneficiaries. Beneficiaries of a retired member who elected an option receive a continuing lifetime benefit upon the member's death.

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

<u>Hire Date</u>	<u>After January 1, 2013</u>	<u>On or Before December 31, 2012</u>
Benefit Formula	2% @ age 62	2% @ age 60
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Payable upon retirement	Payable upon retirement
Retirement Age	Age 50 with at least 30 years service or age 55 with at least 5 years service	Age 55 with at least 5 years service
	Variable based on age factor	Variable based on age factor
Monthly Benefits as a % of Eligible Compensation	2.0% at age 62 to 2.4% maximum	2.0% at age 60 to 2.4% maximum
Required Employee Contribution Rates	8.56%	9.20%
Required Employer Contribution Rates	10.73%	10.73%

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLANS (Continued)

3. Contributions

Active plan members are required to contribute 8.56% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board.

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

Contributions - employer	\$	40,496
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4. Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the State Teachers Retirement Plan's (STRP) 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.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLANS (Continued)

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

	Asset Allocation	Real Return Years 1 - 10	Real Return Years 11+
Global Equity	47%	4.50%	4.50%
Private Equity	12%	6.20%	6.20%
Real Estate	15%	4.35%	4.35%
Inflation Sensitive	5%	3.20%	3.20%
Fixed Income	20%	0.20%	0.20%
Liquidity	1%	0.00%	0.00%
Total	100%		

5. On Behalf Payment

The State of California makes contributions to STRS on behalf of the District. Under accounting principles generally accepted in the United States of America, these amounts have been recorded as revenue in the government-wide financial statements. For the year ended June 30, 2016 the District has recorded \$32,049 of State on behalf payments as revenue.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLANS (Continued)

B. California Public Employees' Retirement System

1. Plan Description and Provisions

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

2. Benefits Provided

The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service.

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

<u>Hire Date</u>	<u>After January 1, 2013</u>	<u>On or Before December 31, 2012</u>
Benefit Formula	2% @ age 62	2% @ age or 55
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly	Monthly
Retirement Age	Age 52 with at least 5 years service	Age 50 with at least 5 years service
	Variable based on age factor	Variable based on age factor
	2.0% at age 62 to 2.4% maximum	2.0% at age 55 to 2.5% maximum
Monthly Benefits as a % of Eligible Compensation		
Required Employee Contribution Rates	6.98%	6.98%
Required Employer Contribution Rates	11.85%	11.85%

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLANS (Continued)

3. Contributions

Active plan members are required to contribute 6.98% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration.

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

Contributions - employer	\$	18,900
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4. Discount Rate

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

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.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLANS (Continued)

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

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

	Asset Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

(a) an expected inflation of 2.50% used for this period

(b) an expected inflation of 3.00% used for this period

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLANS (Continued)

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

1. Pension Liability

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:

CalSTRS	\$ 740,564
CalPERS	<u>206,361</u>
Total District net pension liability	946,925
State's proportionate share of the CalSTRS net pension liability associated with the District	<u>391,642</u>
Total	<u><u>\$ 1,338,567</u></u>

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

	<u>CalSTRS</u>	<u>CalPERS</u>
Proportion - June 30, 2014	0.0010%	0.0014%
Proportion - June 30, 2015	0.0011%	0.0014%
Change - Increase (Decrease)	0.0001%	0.0000%

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLANS (Continued)

2. Pension Expenses and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2016, the District recognized pension expense of \$195,539. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 96,683	\$ -
Differences between actual and expected experience	22,720	-
Changes in assumptions	-	(12,790)
Change in employer's proportion and difference between the employer's contributions and the employer's proportionate share contributions	32,371	-
Net differences between projected and actual earnings on plan investments	33,893	(207,224)
Total	<u>\$ 185,667</u>	<u>\$ (220,014)</u>

The \$96,683 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 inflows and outflows of resources related to pensions will be recognized as pension expense as follows:

For the Year Ended June 30:

2017	\$ (48,833)
2018	(48,833)
2019	(48,833)
2020	(2,515)
2021	3,597
Thereafter	14,387
Totals	<u>\$ (131,030)</u>

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLANS (Continued)

3. Actuarial Assumptions.

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

	<u>CalSTRS</u>	<u>CalPERS</u>
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 Rate	3.00%	2.75%
Payroll Growth	3.75%	Varies by Entry Age and Service
Investment Rate of Return	7.60%	7.65%
Mortality Rate	RP 2000 Series Tables	Derived using CalPERS' Membership Data for all Funds 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB	

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLANS (Continued)

4. 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:

	<u>CalSTRS</u>		<u>CalPERS</u>	
1% Decrease		6.60%		6.65%
Net Pension Liability	\$	1,118,194	\$	335,870
Current Discount Rate		7.60%		7.65%
Net Pension Liability	\$	740,564	\$	206,361
1% Increase		8.60%		8.65%
Net Pension Liability	\$	426,723	\$	98,666

5. Pension Plan Fiduciary Net Position

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

NOTE 8. GENERAL LONG-TERM DEBT – SCHEDULE OF CHANGES

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

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Due within One Year</u>
General obligation bonds payable	\$ 870,304	\$ 23,568	\$ -	\$ 893,872	\$ -
Premium on issuance	111,070		7,091	103,979	7,091
Net Pension Liability	743,304	203,621	-	946,925	96,683
Totals	<u>\$ 1,724,678</u>	<u>\$ 227,189</u>	<u>\$ 7,091</u>	<u>\$ 1,944,776</u>	<u>\$ 103,774</u>

General obligation bonds issued for governmental activity purposes are liquidated by the Bond Interest and Redemption Fund. The net pension liability is liquidated from the funds for which the related employees are compensated.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9. RESTRICTED NET POSITION

The government-wide statement of net position reports \$471,937 of restricted net position, of which \$16,872 is restricted by enabling legislation.

NOTE 10. STUDENT ORGANIZATIONS

The District is responsible for student body funds accumulated and expended by the District's Associated Student Body (ASB). A stand-alone accounting system, capable of reporting the individual club balances and activities as well as the aggregate total of all student body funds, is maintained at the schools and monitored by the District's business office.

The District has determined that the ASB fund meets the criteria to be classified as a special revenue fund and it is therefore included in the basic financial statements as an element of other governmental funds.

NOTE 11. PACIFIC SCHOOL FOUNDATION

The Pacific School Foundation (PSF) was established as a 501(c)(3) non-profit organization in 1990 with the primary mission of providing additional financial support to the District. PSF has established an Endowment Fund the earnings of which are used to support the District, sponsors a variety of fundraising events throughout the school year, and seeks grants from businesses and foundations.

During the year ended June 30, 2016, PSF provided support in the amount of \$34,824 to the District. PSF donations covered salary and benefits for Classroom Aides; Instructors for Visual and Performing Arts and costs for the Life Lab program. This was a slight decrease from the prior year which was attributed to a reduction in the Visual and Performing Arts program.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12. JOINT POWERS AGREEMENTS

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year ending June 30, 2016, the District participated in several joint powers agreements (JPAs) to manage these risks. There were no significant reductions in coverage during the year. Settled claims have not exceeded coverage in any of the past three years.

The various JPAs and the services they provide the District are as follows:

- The Southern Peninsula Region Property and Liability Insurance Group (SPRIG) arrange for and provide property and liability insurance coverage for its member agencies.
- The Santa Cruz - San Benito County Schools Insurance Group (SC-SBCSIG) is an insurance purchasing pool, the intent of which is to achieve the benefits of a reduced premium for the member agencies by virtue of its grouping and representation with other participants in the SC-SBCSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SC-SBCSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity-pooling fund" arrangement insures that each participant shares equally in the overall performance of the SC-SBCSIG.
- The Self-Insured Schools of California (SISC) SISC III arranges for and provides medical insurance coverage for its member school districts.
- The Santa Cruz County School Health Insurance Group (HIG) arranges for and provides dental and vision insurance coverage for its member school districts.

The District also participated in one JPAs for other administrative and program operations as follows:

- The North Santa Cruz County Special Education Local Plan Area arranges for and provides special education services for students of member school districts.

The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. Each joint venture is governed by a board consisting of representatives from various member Districts. Each board controls the operations of the JPA, including selection of management, independent of any influence by the member Districts beyond their representation on the board. Each member District pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. The District's share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA.

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13. STATE TEACHERS' RETIREMENT SYSTEM EARLY RETIREMENT INCENTIVE PROGRAM

The District did not enter into any early retirement incentive agreements during 2015/2016, pursuant to California Education Code, Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

NOTE 14. COMMITMENTS AND CONTINGENCIES

A. Grants

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

B. Litigation

As of June 30, 2016 the District is not currently involved in any litigation.

C. Commitments

As of June 30, 2016 the District had no material commitments outstanding.

NOTE 15. SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the District through December 1, 2016 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

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

	Budgeted Amounts		Actual	Favorable
	Original	Final	Amounts	(Unfavorable)
REVENUES				
Local control sources:				
State apportionments	\$ 724,299	\$ 711,981	\$ 705,151	\$ (6,830)
Local sources	145,000	172,740	185,809	13,069
Federal	42,985	52,423	54,206	1,783
Other state	84,532	115,256	197,353	82,097
Other local	131,304	140,919	150,086	9,167
Total Revenues	1,128,120	1,193,319	1,292,605	99,286
EXPENDITURES				
Certificated salaries	438,446	454,163	451,126	3,037
Classified salaries	148,728	163,844	161,629	2,215
Employee benefits	190,978	239,269	237,747	1,522
Books and supplies	33,378	30,300	26,770	3,530
Services and other operating expenditures	264,087	297,932	297,687	245
Capital outlay	25,349	25,349	-	25,349
Other outgo	256	256	264	(8)
Total Expenditures	1,101,222	1,211,113	1,175,223	35,890
Excess (deficiency) of revenues over expenditures before other financing Sources (uses)	26,898	(17,794)	117,382	135,176
OTHER FINANCING SOURCES (USES)				
Transfers out	(7,073)	(7,073)	(7,073)	-
Total Other Financing Sources (Uses)	(7,073)	(7,073)	(7,073)	-
Net Increase (Decrease) in Fund Balance	19,825	(24,867)	110,309	135,176
Fund Balance - Beginning	895,527	895,527	895,527	-
Fund Balance - Ending	\$ 915,352	\$ 870,660	\$ 1,005,836	\$ 135,176

See accompanying notes to required supplementary information.

PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
District's proportion of the net pension liability	0.0011%	0.0010%
District's proportionate share of the net pension liability	\$ 740,564	\$ 584,370
State's proportionate share of the net pension liability associated with the District	391,642	352,871
Total	<u>\$ 1,132,206</u>	<u>\$ 937,241</u>
District's covered employee payroll	\$ 456,036	\$ 449,758
District's proportionate Share of the net pension liability as a percentage of covered-employee payroll	162%	130%
Plan's fiduciary net position	\$ 191,822,000,000	\$ 190,474,000,000
Plan fiduciary net position as a percentage of the total pension liability	77%	77%
CalPERS		
District's proportion of the net pension liability	0.0014%	0.1400%
District's proportionate share of the net pension liability	\$ 206,361	\$ 158,934
District's covered employee payroll	\$ 160,578	\$ 150,673
District's proportionate Share of the net pension liability as a percentage of covered-employee payroll	129%	105%
Plan's fiduciary net position	\$ 56,911,065,643	\$ 56,940,364,500
Plan fiduciary net position as a percentage of the total pension liability	84%	83%

See accompanying notes to required supplementary information.

PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
Contractually required contribution (actuarially determined)	\$ 45,005	\$ 36,812
Contributions in relation to the actuarially determined contributions	40,496	37,105
Contribution deficiency (excess)	<u>\$ 4,509</u>	<u>\$ (293)</u>
 Covered-employee payroll	 \$ 456,036	 \$ 449,758
Contributions as a percentage of covered-employee payroll	8.88%	8.25%
 CalPERS		
Contractually required contribution (actuarially determined)	\$ 18,873	\$ 17,200
Contributions in relation to the actuarially determined contributions	18,900	17,237
Contribution deficiency (excess)	<u>\$ (27)</u>	<u>\$ (37)</u>
 Covered-employee payroll	 \$ 160,578	 \$ 150,673
Contributions as a percentage of covered-employee payroll	11.77%	11.44%

See accompanying notes to required supplementary information.

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

NOTE 1. PURPOSE OF REQUIRED SUPPLEMENTARY INFORMATION

A. Budgetary Comparison Schedule

Budgetary comparison schedules are required to be presented for the General Fund and each major special revenue fund that has a legally adopted budget. The originally adopted and final revised budgets are presented for such funds. The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code.

B. Schedule of the District's Proportionate Share of the Net Pension Liability

The Schedule of the District's Share of the Net Pension Liability presents multi-year trend information which compares, over time, the District's proportionate share of the net pension liability as a percent of covered-employee payroll. This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented.

1. Changes in Benefits Terms:

a. California State Teachers' Retirement System (CalSTRS)

The California Pension Employees' Pension Reform Act of 2013 (PEPRA) resulted in a new benefit formula, CalSTRS 2% at 62, for members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. Significant changes compared to the CalSTRS 2% at 60 benefit formula include rising the normal retirement age from 60 to 62 and placing a limit on creditable compensation to 120 percent of the Social Security wage base, annually adjusted for changes in the Consumer Price Index.

b. California Public Employees' Retirement System (CalPERS)

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

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

NOTE 1. PURPOSE OF REQUIRED SUPPLEMENTARY INFORMATION (Continued)

2. Changes in Assumptions:

a. CalSTRS

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. There were no changes in major assumptions.

b. CalPERS

For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability determined in the June 30, 2014 actuarial accounting valuation. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expenses.

C. Schedule of the District's Plan Contributions

The Schedule of the District's Plan Contributions presents multi-year trend information which compares, over time, required contributions and actual contributions as a percent of covered-employee payroll. This Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented, as the current year information from the plan was not available. The excess or deficiency of contributions in relation to the actuarially determined contributions has not been recorded as deferred inflows or outflows as they have been determined immaterial.

NOTE 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2016, expenditures exceeded appropriations by the following amounts:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Other outgo	\$ 8

These excess expenditures were offset by unexpended appropriations in other categories.

SUPPLEMENTARY INFORMATION SECTION

PACIFIC ELEMENTARY SCHOOL DISTRICT
OTHER GOVERNMENTAL FUNDS FINANCIAL STATEMENT
COMBINING BALANCE SHEET
JUNE 30, 2016

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Other Governmental Funds
ASSETS						
Cash and equivalents	\$ 37,605	\$ 18,302	\$ 6,171	\$ 2,315	\$ 20,993	\$ 85,386
Accounts receivable	3,699	3,990	-	-	-	7,689
Total Assets	<u>\$ 41,304</u>	<u>\$ 22,292</u>	<u>\$ 6,171</u>	<u>\$ 2,315</u>	<u>\$ 20,993</u>	<u>\$ 93,075</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ 13,648	\$ 4,454	\$ -	\$ -	\$ -	\$ 18,102
Total Liabilities	<u>13,648</u>	<u>4,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,102</u>
Fund Balance:						
Non spendable						
Restricted	27,656	17,838	-	2,315	20,993	68,802
Other commitments	-	-	6,171	-	-	6,171
Total Fund Balance	<u>27,656</u>	<u>17,838</u>	<u>6,171</u>	<u>2,315</u>	<u>20,993</u>	<u>74,973</u>
Total Liabilities and Fund Balance	<u>\$ 41,304</u>	<u>\$ 22,292</u>	<u>\$ 6,171</u>	<u>\$ 2,315</u>	<u>\$ 20,993</u>	<u>\$ 93,075</u>

See accompanying notes to supplementary information.

PACIFIC ELEMENTARY SCHOOL DISTRICT
OTHER GOVERNMENTAL FUNDS FINANCIAL STATEMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Other Governmental Funds
REVENUES						
Local control sources:						
Local sources	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ 10,000
Federal	-	21,510	-	-	-	21,510
Other state	48,294	1,379	-	-	253	49,926
Other local	76,021	51,208	50	2,233	39,026	168,538
Total Revenues	124,315	74,097	10,050	2,233	39,279	249,974
EXPENDITURES						
Classified salaries	69,562	33,326	-	-	-	102,888
Employee benefits	35,311	12,502	-	-	-	47,813
Books and supplies	1,820	37,734	-	-	-	39,554
Services and other operating expenditures	872	891	4,722	26,543	-	33,028
Debt Service:						
Interest	-	-	-	-	35,158	35,158
Total Expenditures	107,565	84,453	4,722	26,543	35,158	258,441
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	16,750	(10,356)	5,328	(24,310)	4,121	(8,467)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	19,017	-	-	-	19,017
Transfers out	(1,200)	-	-	-	-	(1,200)
Total Other Financing Sources (Uses)	(1,200)	19,017	-	-	-	17,817
Net Increase (Decrease) in Fund Balance	15,550	8,661	5,328	(24,310)	4,121	9,350
Fund Balance - Beginning	12,106	9,177	843	26,625	16,872	65,623
Fund Balance - Ending	\$ 27,656	\$ 17,838	\$ 6,171	\$ 2,315	\$ 20,993	\$ 74,973

See accompanying notes to supplementary information.

PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2016

	Second Period Report			Annual Report	
	Original	Audit Adjustment	Revised	Original	Revised
Grades TK / K-3:					
Regular Average Daily Attendance	67.90	0.44	68.34	68.10	N/A
Grades TK / K-3 Totals	67.90	0.44	68.34	68.10	N/A
Grades 4 - 6:					
Regular Average Daily Attendance	41.67	0.10	41.77	41.09	N/A
Grades 4 - 6 Totals	41.67	0.10	41.77	41.09	N/A
Total ADA	109.57	0.54	110.11	109.19	N/A

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

PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2016

Grade Level	Minutes Requirement	2015/2016 Actual Minutes	Number of Days Traditional Calendar ¹	Status
Kindergarten	36,000	39,350	180	In Compliance
Grade one	50,400	50,530	180	In Compliance
Grade two	50,400	50,530	180	In Compliance
Grade three	50,400	50,530	180	In Compliance
Grade four	54,000	54,550	180	In Compliance
Grade five	54,000	54,550	180	In Compliance
Grade six	54,000	54,550	180	In Compliance

¹ The District did not utilize a multitrack calendar during the 2015/2016 year.

PACIFIC ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

General Fund:	(Budgeted) * 2016/2017	2015/2016	2014/2015	2013/2014
Revenues and Other Financing Sources	\$ 1,209,497	\$ 1,292,605	\$ 1,060,534	\$ 1,034,237
Expenditures	1,187,616	1,175,223	1,063,191	999,307
Other Uses and Transfers Out	7,073	7,073	349,500	5,000
Total Outgo	1,194,689	1,182,296	1,412,691	1,004,307
Change in Fund Balance	14,808	110,309	(352,157)	29,930
Ending Fund Balance	\$ 1,020,644	\$ 1,005,836	\$ 895,527	\$ 1,247,684
Available Reserves ¹	\$ 556,770	\$ 523,846	\$ 532,660	\$ 523,399
Reserve for Economic Uncertainties	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Unassigned Fund Balance	\$ 481,770	\$ 448,846	\$ 457,660	\$ 448,399
Available Reserves as a percentage of Total Outgo	46.6%	44.3%	37.7%	52.1%
Total Long-Term Debt ²	\$ 1,841,002	\$ 1,944,776	\$ 1,724,678	\$ 1,897,345
Average Daily Attendance at P-2	109	110	102	102

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

The General Fund balance has decreased by \$241,848 over the past two years. The District has incurred an operating deficit in one of the past three years. The 2016/2017 General Fund budget projects a increase of \$14,808 (1.5%).

For a District of this size, the state recommends available reserves of at least 5% of total General Fund expenditures, transfers out, and other uses (other outgo).

Total long-term debt has increased by \$47,431 over the past two years.

Average daily attendance has increased by 8 ADA over the past two years. The ADA is anticipated to decrease 1 ADA during the fiscal year 2016/2017.

* The 2016/2017 budget is included for analytical purposes only and has not been subjected to audit.

¹ Available reserves consists of all unassigned fund balances and reserves for economic uncertainty that are contained within the governmental funds. Unassigned fund balances are typically only reported in the General Fund. However, other governmental funds may report negative unassigned fund balances and are included in the reported available reserves.

² Total long-term debt for the year ending June 30, 2014 has been restated.

PACIFIC ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND
BUDGET REPORT (SACS) WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects *
June 30, 2016 Annual Financial and Budget Report (SACS)		
Fund Balance	\$ 790,716	\$ 215,120
Adjustments and Reclassifications:		
Reclassification for financial statement presentation	215,120	(215,120)
June 30, 2016 Audited Financial Statement Fund Balance	<u>\$ 1,005,836</u>	<u>\$ -</u>

* This audit reclassification is made for financial presentation purposes only, pursuant to GASB 54 which, when applied, does not recognize this fund as a special revenue fund type. Therefore, the fund balance is consolidated with the General Fund. However, the District is permitted under current State law to account for this fund as a special revenue fund type for interim reporting and budgeting purposes.

	Capital Assets
June 30, 2016 Annual Financial and Budget Report (SACS)	
Capital Assets	\$ 1,298,222
Adjustments and Reclassifications:	
Capital Assets:	
Construction in progress	(34,501)
June 30, 2016 Audited Financial Statement Balance	<u>\$ 1,263,721</u>

PACIFIC ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1. PURPOSE OF SUPPLEMENTARY INFORMATION

A. Other Governmental Funds Financial Statements

These statements provide information on the Pacific Elementary School District's (District) Governmental non-major funds, by object.

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

This schedule presents information on the amount of instructional time and number of days offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46208. The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day, and has not met its local control funding formula target.

D. 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.

E. Reconciliation of Annual Financial and Budget Report (SACS) with Audited Financial Statements

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

F. Schedule of Charter School

This schedule represents a complete listing of all charter schools authorized by the District and indicates whether their financial activities and balances have been included in the District's annual audited financial statements for the year ended June 30, 2016. The District has not authorized any Charter Schools; therefore this schedule has not been included for 2015/2016.

OTHER INDEPENDENT AUDITOR'S REPORTS

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Pacific Elementary School District
Davenport, 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 business-type activities, each major fund, and the aggregate remaining fund information of Pacific Elementary School District (District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain a deficiency in internal control, described in the accompanying findings and responses that we consider to be significant deficiency, as item 2016-001.

Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Robertson & Associates, CPAs

Lakeport, California

December 1, 2016

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Pacific Elementary School District
Davenport, California

Compliance

We have audited Pacific Elementary School District (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 material effect on each of the District's state programs for the year ended June 30, 2016.

Management's Responsibility

Compliance with the applicable compliance requirements is the responsibility of the District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the applicable compliance requirements based on our compliance audit.

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 above that could have a direct material effect on the programs identified in the below schedule occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	No, See Below
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	No, See Below
School Districts, County Office of Education and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	No, See Below
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study For Charter Schools	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

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

We did not perform testing for Ratios of Administrative Employees to Teachers because the District has one or fewer administrators.

We did not perform testing for Transportation Maintenance of Effort because there were no expenditures in 2012/2013.

We did not perform testing for Immunizations because the District was not listed on the California Department of Public Health (CDPH) list of schools that would require testing.

Basis for Qualified Opinion on State

As described in the accompanying schedule of findings and responses, the District did not comply with compliance requirements regarding Attendance as described items 2016-001. Compliance with such requirements is necessary, in our opinion, for Pacific Elementary School District to comply with state laws and regulations applicable to that program.

Qualified Opinion on State Programs

In our opinion, except for the noncompliance with Attendance identified in the schedule of findings and responses, as items 2016-001, Pacific Elementary School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2016.

Unmodified Opinion on Each of the other State Programs

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

District's Response to Findings

The District's response to the finding identified in our audit is included in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, express no opinion on the response.

Robertson & Associates, CPAs

Lakeport, California
December 1, 2016

FINDINGS AND RESPONSES SECTION

PACIFIC ELEMENTARY SCHOOL DISTRICT
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

Financial Statement Findings

There were no findings or questioned costs relative to the financial statements.

Federal Award Findings and Questioned Costs

There were no findings or questioned costs relative to federal awards or programs.

State Award Findings and Questioned Costs

2016-001 Attendance / State Code 10000 Attendance

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421(b), and Education Code 44809 require that each LEA develop and maintain accurate and adequate attendance records to support the attendance reported to the State.

Condition

The attendance clerk inadvertently left the short-term independent study code as pending when the P-2 was filed. Therefor the attendance was under reported by .54 for P-2. The Annual report was reported correctly.

Effect

ADA was understated on the P-2 by .54.

Cause

The attendance clerk did not change the attendance code from pending to complete or in-complete.

PACIFIC ELEMENTARY SCHOOL DISTRICT
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

2016-001 Attendance / State Code 10000 Attendance (Continued)

Questioned Cost

The schedule below shows the amount the P-2 was understated:

	Second Period Report		
	Original	Audit Adjustment	Revised
Grades TK / K-3:			
Regular Average Daily Attendance	67.90	0.44	68.34
Grades TK / K-3 Totals	67.90	0.44	68.34
Grades 4 - 6:			
Regular Average Daily Attendance	41.67	0.10	41.77
Grades 4 - 6 Totals	41.67	0.10	41.77
Total ADA	109.57	0.54	110.11

The estimated questioned cost is \$4,103.86.

Recommendation

The District should review attendance monthly to verify that the short-term independent study has been accounted for correctly. The District has revised the P-2.

District Response and Action Plan

The District will review attendance monthly to verify that the short-term independent study has been accounted for correctly.

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

Finding/Recommendation	Current Status	District Explanation, If Not Implemented
<p>2015-001 During our testing of reported average daily attendance (ADA), in which we reconciled the supporting documentation to the annual report of attendance, we found that the LEA summary used for reporting the Annual ADA was incorrectly stated. We received a manual LEA summary (excel) from the County Office of Education and an LEA summary from the District which was a generated report from the attendance software. The two reports had conflicting information.</p> <p>We recommend that the District submit timely LEA summaries to the County Office of Education in preparation of the Annual Report of Attendance. We further recommend that the District revise the Annual Report of Attendance to reflect the audited numbers in the schedule above.</p>	<p>Implemented</p>	

Elementary and Secondary Education Act, Title III, Part A, Limited English Proficient Student Program Consortium

Memorandum of Understanding, 2016-17 School Year

This Memorandum of Understanding represents the agreed-upon program, services and products to be provided to limited-English-proficient (called English Learners [ELs] under California laws) students in the Scotts Valley Unified School District (SVUSD), the San Lorenzo Valley Unified School District (SLVUSD), and the Pacific Elementary School District (PESD), during the 2016-17 school year. The Scotts Valley Unified School District (SVUSD) will act as lead local education agency (LEA) and member. The consortium shall be named the Santa Cruz County County Consortium (The Consortium).

SVUSD will be responsible for acting as the fiscal agent for the Consortium and will file the required expenditure reports and maintain fiscal records. The Consortium will plan to expend all Title III funds during the 2016-17 grant year. SVUSD must continue to serve as the fiscal agent for the Consortium for the duration of the 27 months grant period and/or until all the funds are expended, after which time the California Department of Education (CDE) will bill the SVUSD for any remaining balance.

According to the 2016-17 California Longitudinal Pupil Achievement Data System information submitted by the Members to the CDE, the Santa Cruz County Consortium enrolled 115 EL students, which results in a subgrant amount of approximately \$10,739. In its role as the lead LEA, SVUSD will support a total amount of programs, services, and products as indicated below:

<u>Program/Service/Product</u>	<u>Approximate Cost</u>
Lead LEA will claim up to 2% Administrative Costs (Grant amount allocation X 2%)	\$ 214
Reimburse purchase of Spanish/English bilingual dictionaries and bilingual dictionaries in other languages as necessary.	\$ 1150
Reimburse salary of Instructional Assistants for 250 hours of service @ \$20 hour.	\$ 5000
Provide professional development series regarding effective LEP student instructional practices to consortium teachers.	\$ 4375
Total Consortium Grant allocation	\$10,739

Changes regarding the provision, the scope and/or nature of these services must be made by agreement of the Members. Funds must be used before the 27 months grant period.

In addition to the above services and products, SVUSD will coordinate quarterly meetings for the purpose of assessing the needs of the Consortium. In the event that the Consortium fails to meet the Annual Measurable Achievement Objectives (AMAOs) for one year, all parents of LEP


students in the consortium must be notified. Parents of LEP students shall be notified by the Consortium members of each LEA.

In the event that the Consortium fails to meet AMAOs for two consecutive years, the Consortium will meet to develop an LEA Improvement Plan Addendum. SVUSD will coordinate the preparation of the LEA Improvement Plan Addendum and ensure its submission to the CDE. All members are responsible for the implementation of the LEA Improvement Plan Addendum.

Lastly, the SVUSD will be responsible for completing and submitting the Annual Survey and any other evaluation necessary to the CDE. Signature of the LEA representative represents the Consortium has met and conferred and the member LEAs are in agreement to all stated.


Signatures of Authorized Representatives:

Print Name Michelle A. Stewart, SVUSD
Consortium Lead LEA Representative
(Superintendent or Designee)


Signature of Consortium Lead LEA Representative (SVUSD)

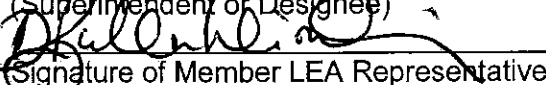
12/6/16
Date

Eric Gross, PESD
Print Name
Consortium Member LEA Representative
(Superintendent or Designee)


Signature of Consortium Member LEA Representative

12/19/16
Date

Debora Bodenheimer, SLVUSD
Print Name
Consortium Member LEA Representative
(Superintendent or Designee)


Signature of Member LEA Representative

12-9-16
Date