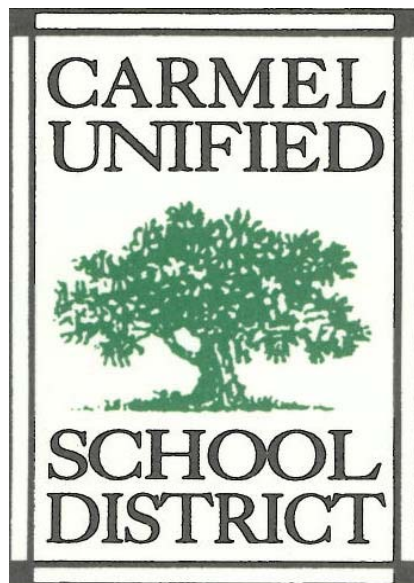


CARMEL UNIFIED SCHOOL DISTRICT
MONTEREY COUNTY
REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2014



CARMEL UNIFIED SCHOOL DISTRICT

AUDIT REPORT

June 30, 2014

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CARMEL UNIFIED SCHOOL DISTRICT

AUDIT REPORT

June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Carmel Unified School District
4380 Carmel Valley Road
Carmel, CA 93923

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carmel Unified School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Tel 626.857.7300 | Fax 626.857.7302 | E-Mail INFO@VLSLLP.COM | Web WWW.VLSLLP.COM

Board of Education
Carmel Unified School District

Opinion

In our opinion, the financial statements listed in the aforementioned table of contents present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Carmel Unified School District as of June 30, 2014, and the respective changes in financial position, cash flows 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 and schedule of funding progress 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 Carmel Unified School District's basic financial statements. The supplementary schedules, combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of Carmel Unified School District.

Board of Education
Carmel Unified School District

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014 on our consideration of the Carmel Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Carmel Unified School District's internal control over financial reporting and compliance.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA

November 7, 2014

CARMEL UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the Carmel Unified School District for the year ended June 30, 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34 (Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments) issued June 1999. Certain comparative information between the current and prior year is required to be presented in the MD&A.

The Carmel Unified School District provides instruction to approximately 2,468 students from kindergarten through twelfth grade. During the 2013-14 school year, the District operated three elementary schools, one middle school, one high school, one alternative high school, and a Regional Occupational Program (ROP) on an August through June schedule. The District also operated two pre-schools and an adult education program on an extended year basis.

USING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

- * This comprehensive annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Carmel Unified District as a whole, followed by a detailed examination of specific financial activities.
- * The Management's Discussion and Analysis is provided to assist our citizens, taxpayers and investors in reviewing the District's finances and to document the District's accountability for the money it receives.

CARMEL UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

FINANCIAL HIGHLIGHTS

- * The Carmel Unified School District's Government-wide *Statement of Net Position* indicates the District ended the fiscal year with net position of \$42,475,882 derived by reducing total assets and deferred outflows of \$85,925,557, by liabilities of \$43,449,675. This represents a decrease of \$521,044 in total net position over the prior year.
- * The General Fund reported a positive fund balance of \$17,360,635, a net decrease of \$4,848,611 over the prior fiscal year as a result the planned transfer of designated fund balance amounts to the deferred maintenance and special reserve for capital outlay funds. These transfers are to fund such board approved capital projects as the completion of the Carmel High School sports complex and new administration building and to maintain critical facilities infrastructures at all sites. The District maintains reserves for economic uncertainties at 5% of expenditures exceeding the state mandated minimum of 3%. Additionally, Board policy has established a Basic Aid reserve of no less than 10% of the differential between property tax revenues and the District's revenue limit as defined by state formula.
- * The District's Retiree Benefits Fund reported a positive fund balance of approximately \$737 thousand. This balance has remained stable since its establishment at the end of the 2010-11 school year. In fiscal years 2009/2010 and 2010/2011, the District contributed an amount to this fund based on a 20 year flat funding of its obligation as determined by an actuarial study required by Government Accounting Standards Board Statement No. 45. In utilizing a flat funding model, the District contributed an amount greater than its annual cost for retiree benefits, thereby adding to the fund's positive ending balance. During the 2013-14 fiscal year the district contributed only the amount required to fund current year retiree benefit costs.

CARMEL UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

REPORTING THE DISTRICT AS A WHOLE

THE STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities using the modified accrual basis of accounting similar to accounting procedures used by private sector corporations. All current year's revenues and expenses are taken into consideration regardless of when cash is received or paid. These two statements report the Carmel Unified School District's net position and indicate whether they have increased or decreased over the prior year. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, current property tax laws, student enrollment, and facility conditions in arriving at a conclusion regarding the overall health of the District.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds of the District, not the organization as a whole. Funds are accounting formats the District uses to keep track of specific sources of funding and expenditures associated with specific programs. Some funds are required by bond covenants and state law. Other funds are established by the District to control and manage a variety of activities for specific purposes or to address specific accounting requirements for certain revenue and expenditure classifications.

GOVERNMENTAL FUNDS

Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. The government fund statements provide a detailed short-term view of the District's general operations. The information they provide helps determine whether there are more or fewer financial resources available in the near future to finance the District's programs. This information does not encompass the additional long-term focus of the government-wide statements. A reconciliation following the governmental fund statements explains the differences (or relationships) between governmental fund and government-wide financial statements.

CARMEL UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

PROPRIETARY FUNDS

When the District charges other departments within the District or external users for the services it provides, these services are generally reported in proprietary funds. Proprietary Funds are reported in the same manner as government-wide statements. The proprietary fund category includes Internal Service Funds. Internal Service Funds report activities that provide supplies and services for the District's other programs. The District maintained an Internal Service Fund, the Retiree Benefits Fund, to account for retiree health insurance costs as well as the District's contribution toward the cost of future benefits.

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The Fiduciary Fund Category includes Trust and Agency Funds. The District uses an agency fund to account for resources held for student activities and groups. These funds include Associated Student Body Funds and a Foundation Trust Fund for fine arts.

The Carmel Unified School District is the trustee, or fiduciary, for its student activity funds. All school District fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The Carmel Unified School District is responsible for ensuring the assets reported in these funds are used for their intended purpose.

CARMEL UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

THE DISTRICT AS A WHOLE

The District's net position was approximately \$42.5 million for the fiscal year ended June 30, 2014 and approximately \$43.0 million for the fiscal year ended June 30, 2013. This represents an approximate decrease of \$500 thousand in net position over the prior fiscal period primarily as a result of the use of designated funds for planned capital improvements. A reduction in the District's cash assets of \$1.7 million was offset by increases of approximately \$500 thousand in capital assets. The District also utilized cash assets to reduce its current liabilities by more than \$1 million. Approximately \$20 million of net position are classified as unrestricted. Restricted net position totaled approximately \$2.7 million and is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and legislation that limit the School Board's ability to use this net position for day-to-day operations.

Assets	<u>2014</u>	<u>2013</u>	<u>Variance</u>
Cash	\$ 27,146,676	\$ 28,887,023	\$ (1,740,347)
Accounts receivable	925,192	1,365,667	(440,475)
Prepaid expenditures		1,500	(1,500)
Stores inventory	8,898	11,852	(2,954)
Capital assets, net	<u>57,225,383</u>	<u>56,711,437</u>	<u>513,946</u>
Total Assets	<u>85,306,149</u>	<u>86,977,479</u>	<u>(1,671,330)</u>
Deferred outflows of resources	<u>619,408</u>	<u>671,026</u>	<u>(51,618)</u>
Liabilities			
Other liabilities	2,088,432	3,151,127	(1,062,695)
Long-term debt outstanding	<u>41,361,243</u>	<u>41,500,452</u>	<u>(139,209)</u>
Total Liabilities	<u>43,449,675</u>	<u>44,651,579</u>	<u>(1,201,904)</u>
Net Position			
Invested in capital assets, net of related debt	20,066,086	18,800,003	1,266,083
Restricted	2,655,071	2,123,006	532,065
Unrestricted	<u>19,754,725</u>	<u>22,073,917</u>	<u>(2,319,192)</u>
Total Net Position	<u>\$ 42,475,882</u>	<u>\$ 42,996,926</u>	<u>\$ (521,044)</u>

CARMEL UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

- * Cash with the District is invested with the Monterey County Treasury. The reduction in cash between fiscal years 2013 and 2014 is primarily a result of the District's planned improvements of facilities.
- * Accounts receivable are mainly amounts due from State and Federal government sources for the operation of categorical programs.
- * The District increased its capital assets by approximately \$500 thousand over the prior year, as a result of completing projects begun in prior years and initiating work on continuing projects.
- * The decrease of approximately \$1 million in the liabilities category is primarily the result of reduced balances in the District's accounts payable, which represent amounts owed for goods and services.
- * Unrestricted net position is a combination of assigned and unassigned amounts. The assigned balances are amounts set-aside to fund future purchases and capital projects as planned by the District and to maintain a basic aid reserve. These amounts decreased approximately \$2.3 million from the prior year's balance as a result of work performed on approved capital structures and technology infrastructure.

CARMEL UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

STATEMENT OF ACTIVITIES

Statement of Activities presents the revenues earned, whether received or not and the expenses incurred, whether paid or not, by the District. The purpose of this Statement is to present the results of this year's operations for the District as a whole.

The Statement of Activities is summarized below:

	<u>2014</u>	<u>2013</u>	<u>Variance</u>
Revenues			
Program revenues:			
Charges for services	\$ 401,627	\$ 465,279	\$ (63,652)
Operating grants and contributions	3,010,862	2,722,625	288,237
General revenues:			
Property taxes	42,078,381	40,137,614	1,940,767
Federal and State aid not restricted to specific purposes	2,603,767	2,459,017	144,750
Interest and investment earnings	131,924	126,922	5,002
Other	<u>1,416,401</u>	<u>1,287,580</u>	<u>128,821</u>
Total Revenues	<u>49,642,962</u>	<u>47,199,037</u>	<u>2,443,925</u>
Expenses			
Instruction	25,716,064	24,389,730	1,326,334
Instruction - related services	5,267,307	4,859,708	407,599
Pupil services	4,481,056	4,229,389	251,667
General administration	3,468,359	3,286,388	181,971
Plant services	5,569,763	5,288,568	281,195
Community services	845,697	787,119	58,578
Other outgo	665,296	644,575	20,721
Debt service - interest	1,376,393	1,419,997	(43,604)
Depreciation (unallocated)	<u>2,774,071</u>	<u>2,692,877</u>	<u>81,194</u>
Total Expenses	<u>50,164,006</u>	<u>47,598,351</u>	<u>2,565,655</u>
Increase in net position	(521,044)	(399,314)	(121,730)
Net position, at beginning of year	42,996,926	43,560,554	(563,628)
Cumulative effective of change in accounting principle	<u>-</u>	<u>(164,314)</u>	<u>164,314</u>
Net position - beginning of year after cumulative effect	<u>42,996,926</u>	<u>43,396,240</u>	<u>(399,314)</u>
Net position, end of year	<u>\$ 42,475,882</u>	<u>\$ 42,996,926</u>	<u>\$ (521,044)</u>

CARMEL UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

Total revenues at June 30, 2014 are approximately \$2.4 million greater than in 2013. This is largely the result of increases in local property tax income. Expenditures increased approximately \$2.5 million with the majority of the increase coming in the area of student instruction.

The information in the following table shows the District's nine (9) largest functions and their respective net costs (total cost less revenues generated by the activities).

Governmental Activities
Fiscal Year ended June 30, 2014

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental activities:		
Instruction	\$ 25,716,064	\$ 23,595,123
Instruction - related services	5,267,307	4,852,942
Pupil services	4,481,056	3,754,811
General administration	3,468,359	3,468,359
Plant services	5,569,763	5,569,763
Community services	845,697	808,102
Other outgo	665,296	551,953
Debt service - interest	1,376,393	1,376,393
Depreciation (unallocated)	<u>2,774,071</u>	<u>2,774,071</u>
Total governmental activities	<u>\$ 50,164,006</u>	<u>\$ 46,751,517</u>

CARMEL UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

GOVERNMENTAL FUNDS

The Special Reserve for Capital Outlay Fund qualifies, for reporting purposes, as a major fund and is stated separately from those funds included under the title "other governmental funds" (see pages 58 and 59 for individual detail of funds). The District also operates adult education and deferred maintenance programs. Throughout the year these programs are accounted for independently. As required by GASB Statement No. 54, fund balance amounts from these programs are included in general fund statements for reporting purposes.

GENERAL FUND BUDGET INFORMATION

The General Fund is the District's principal operating fund. The District begins the budget process in January of each year, by forecasting changes in revenue and expenditure assumptions. Each school in the District receives a budgetary allocation based on historical spending and current site needs. Individual departments provide input to the Business Office regarding their budget needs. Over the course of the year, the site and department budgets are reviewed periodically to ensure management becomes aware of any significant variations. During the fiscal year, the Board of Education authorized revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District.

- * On page 46 of the "Required Supplementary Information" section of the attached financial statements, is a chart comparing general fund budgetary amounts to actual revenues and expenses. For the 2013-14 year variances between original and final budgets are a result of the following: In revenues, the District received more local property tax revenue than originally projected. In the expenditure area, final expenditures were less than originally budgeted in the capital outlay category because approved project costs were accounted for in the special reserve for capital outlay fund. This is reflected in the general fund through an increase in the interfund transfers out category.
- * The District's largest operating expenses are for salaries and benefits. In the 2013-2014 year, total general fund expenditures in those categories exceeded 82%. Certificated and classified salaries are adjusted annually for step and column increases and savings due to attrition and retirements.

CARMEL UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

GENERAL FUND BUDGET VARIATIONS

In June of each year, a budget is adopted by the Carmel Unified School District's Board of Trustees, effective July 1 for fiscal year ending June 30 of the subsequent calendar year. As the school year progresses, the budget is revised and updated, with numerous financial reports made public outlining the revisions. Approximately 2 months after the June 30 fiscal year end, the books are closed, and the results are audited, yielding actual final numbers.

There are several reasons for budget revisions. Any changes in the number of staff and/or staff utilization of health and welfare benefits that vary from the original projections would yield budget revisions. Also, salary changes for district employees are reflected through a budget revision.

CAPITAL ASSET and DEBT ADMINISTRATION

Capital Assets

The Governmental Accounting Standards Board Statement No. 34 (GASB 34) requires that governmental agencies account for fixed assets in the same way that private and public corporations do. This involves recognizing the cost of such District fixed assets as land and building and equipment in the fixed asset section of the statement of net position. Districts must now track annual and accumulated depreciation on major assets.

As of June 30, 2014 the District had \$57,225,383 invested in capital assets for governmental activities net of depreciation. Note #8 to the financial statements provides additional information on capital assets. A summary of capital assets, net of depreciation is presented below:

Land	\$ 2,375,748
Work in progress	1,776,188
Depreciable assets, net	<u>53,073,447</u>
Total capital assets	<u><u>\$ 57,225,383</u></u>

The total capital assets balance increased approximately \$500 thousand over the prior year, as a result of continued progress on construction projects funded through Board designated sources.

CARMEL UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

Debt

Note #6 and #7 to the financial statements provides additional information on outstanding debt. A summary of the district's outstanding debt at year-end is presented below:

General obligation bonds	\$ 37,778,705
Compensated absences	258,908
Other postemployment benefits	<u>3,323,630</u>
Net long-term debt	<u>\$ 41,361,243</u>

The long-term debt balance was approximately \$41.5 million in prior year. The change in balance from prior to current year is a result of a reduction in general obligation bond balances, based on scheduled repayments, combined with increases to postemployment benefit balances and a decrease in compensated absences. The balance associated with other postemployment benefits is based on an actuarial calculation as required by GASB Statement No. 45. Note #10 provides more detailed information about this district obligation. Compensated absences relate to obligations the District has to certain employees for unpaid vacation benefits. A more detailed explanation can be found in Note #1C of the Financial Statements.

CARMEL UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

In planning the 2014-15 operating budget, the District Board and management utilized the following criteria:

- 1) The District's primary source of income, property tax revenue, was estimated to remain at 2013-14 actual levels.
- 2) K-12 student enrollment was expected to remain at October 2013 levels based on a 10 year cohort survival method of projecting enrollment.
- 3) Certificated staffing levels were based on the continued implementation of the K-3 class size reduction programs and overall enrollment projections.
- 4) The District's ending fund balance is projected at 5% which exceeds the State's recommended 3% contingency reserve requirement and also includes a reserve for basic aid exceeding the Board established minimum of 10% of the differential between revenue limit and property tax income.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Rick Blanckmeister, Chief Business Official
Carmel Unified School District
P.O. Box 222700
Carmel, CA 93922

E-mail - rblanckmeister@carmelunified.org

FINANCIAL SECTION

CARMEL UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities
<u>Assets</u>	
Cash in county treasury	\$ 27,114,089
Cash in revolving fund	5,000
Collections awaiting deposit	27,587
Accounts receivable:	
Federal and State governments	787,690
Miscellaneous	137,502
Inventories	8,898
Land	2,375,748
Depreciable assets, net	53,073,447
Work in progress	1,776,188
Total Assets	85,306,149
 Deferred Outflow of Resources	
Deferred charge on refunding	619,408
 <u>Liabilities</u>	
Accounts payable and other current liabilities	1,520,747
Accrued Interest	547,914
Unearned revenue	19,771
Current portion of long-term liabilities:	
General obligation bonds	1,250,000
Non-current portion of long-term liabilities:	
Other postemployment benefits	3,323,630
Compensated absences	258,908
General obligation bonds	36,528,705
Total Liabilities	43,449,675
 <u>Net Position</u>	
Invested in capital assets, net of related debt	20,066,086
Restricted for:	
Debt service	2,110,747
Educational programs	544,324
Unrestricted	19,754,725
Total Net Position	\$ 42,475,882

See the accompanying notes to the financial statements.

CARMEL UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014**

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 25,716,064	\$ 16,468	\$ 2,104,473	\$ (23,595,123)
Instruction - related services	5,267,307	82	414,283	(4,852,942)
Pupil services	4,481,056	380,450	345,795	(3,754,811)
General administration	3,468,359			(3,468,359)
Plant services	5,569,763			(5,569,763)
Community services	845,697	4,627	32,968	(808,102)
Other outgo	665,296		113,343	(551,953)
Debt service - interest	1,376,393			(1,376,393)
Depreciation (unallocated)	2,774,071			(2,774,071)
Total Governmental Activities	<u>\$ 50,164,006</u>	<u>\$ 401,627</u>	<u>\$ 3,010,862</u>	<u>(46,751,517)</u>
General Revenues				
Property taxes levied for				
General purposes				39,484,191
Debt service				2,594,190
Federal and State aid not restricted to specific purposes				2,603,767
Interest and investment earnings				131,924
Miscellaneous				1,416,401
Total General Revenues				<u>46,230,473</u>
Change in net position				(521,044)
Net Position - Beginning of Year				<u>42,996,926</u>
Net Position - End of Year				<u>\$ 42,475,882</u>

See the accompanying notes to the financial statements.

CARMEL UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Special Reserve for Capital Outlay Fund	* Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash in county treasury	\$ 16,198,426	\$ 8,019,714	\$ 2,159,253	\$ 26,377,393
Cash in revolving fund	5,000			5,000
Collections awaiting deposit	295		27,292	27,587
Accounts receivable:				
Federal and state governments	783,137		4,553	787,690
Miscellaneous	110,753	7,000	19,449	137,202
Due from other funds	1,625,614			1,625,614
Inventories			8,898	8,898
Total Assets	<u>\$ 18,723,225</u>	<u>\$ 8,026,714</u>	<u>\$ 2,219,445</u>	<u>\$ 28,969,384</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 1,342,819	\$ 174,878	\$ 3,050	\$ 1,520,747
Due to other funds		1,561,966	63,648	1,625,614
Unearned revenue	19,771			19,771
Total Liabilities	<u>1,362,590</u>	<u>1,736,844</u>	<u>66,698</u>	<u>3,166,132</u>
Fund Balances				
Nonspendable	5,000		8,898	13,898
Restricted	511,222		2,143,849	2,655,071
Assigned	14,304,045	6,289,870		20,593,915
Unassigned	2,540,368			2,540,368
Total Fund Balances	<u>17,360,635</u>	<u>6,289,870</u>	<u>2,152,747</u>	<u>25,803,252</u>
Total Liabilities and Fund Balances	<u>\$ 18,723,225</u>	<u>\$ 8,026,714</u>	<u>\$ 2,219,445</u>	<u>\$ 28,969,384</u>

* See detail of individual funds on pages 58

See the accompanying notes to the financial statements.

CARMEL UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION**

June 30, 2014

Amounts reported for governmental funds are different than the statement of net position because:

Total fund balances – governmental funds	\$ 25,803,252
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:

Land	\$ 2,375,748
Depreciable assets, net	53,073,447
Work in progress	<u>1,776,188</u>

Total capital assets	57,225,383
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Deferred charge on refunding to be amortized over the life of the refunding debt	619,408
--	---------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

General obligation bonds payable	37,778,705
Net other postemployment benefits obligation	3,323,630
Compensated absences	<u>258,908</u>

Total long-term liabilities	(41,361,243)
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Interest expenses related to general obligation bonds payable was incurred but not accrued through June 30, 2014	(547,914)
--	-----------

An internal service fund is used by the District to accumulate funds for the future liability for early retiree health benefits and to pay current costs. The assets and liabilities of the internal service fund are included with governmental activities.

	<u>736,996</u>
--	----------------

Total net position – governmental activities	<u><u>\$ 42,475,882</u></u>
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See the accompanying notes to the financial statements.

CARMEL UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2014

	General Fund	Special Reserve for Capital Outlay Fund	* Other Governmental Funds	Total Governmental Funds
Revenues				
LCFF Sources	\$ 41,576,042	\$	\$	\$ 41,576,042
Federal sources	529,252		228,227	757,479
Other State sources	1,316,383		136,431	1,452,814
Other local sources	1,839,301	26,115	4,053,578	5,918,994
Total Revenues	<u>45,260,978</u>	<u>26,115</u>	<u>4,418,236</u>	<u>49,705,329</u>
Expenditures				
Instruction	24,553,154		349,245	24,902,399
Instruction - related services	5,006,841		108,621	5,115,462
Pupil services	3,581,095		785,967	4,367,062
General administration	3,360,939			3,360,939
Plant services	5,627,694	2,963,276	116,381	8,707,351
Community services	14,389		851,913	866,302
Other outgo	371,252			371,252
Debt service			2,448,692	2,448,692
Total Expenditures	<u>42,515,364</u>	<u>2,963,276</u>	<u>4,660,819</u>	<u>50,139,459</u>
Excess (deficiency) of revenues over expenditures	<u>2,745,614</u>	<u>(2,937,161)</u>	<u>(242,583)</u>	<u>(434,130)</u>
Other Financing Sources (Uses)				
Interfund transfers in		6,515,616	370,941	6,886,557
Interfund transfers out	(7,594,225)			(7,594,225)
Total Other Financing Sources (Uses)	<u>(7,594,225)</u>	<u>6,515,616</u>	<u>370,941</u>	<u>(707,668)</u>
 Net changes in fund balances	 (4,848,611)	 3,578,455	 128,358	 (1,141,798)
Fund Balances - Beginning of Year	<u>22,209,246</u>	<u>2,711,415</u>	<u>2,024,389</u>	<u>26,945,050</u>
Fund Balances - End of Year	<u>\$ 17,360,635</u>	<u>\$ 6,289,870</u>	<u>\$ 2,152,747</u>	<u>\$ 25,803,252</u>

* See detail of individual funds on pages 59

See the accompanying notes to the financial statements.

CARMEL UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For the Fiscal Year Ended June 30, 2014

Net change in fund balances - Total government funds \$ (1,141,798)

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

Governmental funds report capital outlay as expenditures. However, in
the statement of activities, the cost of those assets is allocated over their
useful lives as depreciation expense

Capital outlay	\$ 3,343,181	
Depreciation expense	<u>(2,774,071)</u>	
Excess of capital outlay over depreciation expense		569,110

The net cost of disposed buildings and equipment is reported as expense in
the governmental funds. However, the cost of the buildings and equipment
is removed from the capital assets balance in the statement of net position and
offset against the expense resulting in a loss on the assets disposed in the
statement of activities

Net cost of retired buildings and equipment	(55,164)
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The governmental funds report bond proceeds as an other financing source,
while repayment of bond principal is reported as an expenditure. The net
effect of these differences in treatment of general obligation bonds and
related items is as follows:

General obligation bond principal payments	1,105,000	
Amortization of premium on general obligation bonds	81,479	
Amortization of deferred charges on refunded bonds	<u>(51,618)</u>	
Total long-term debt payments		1,134,861

An internal service fund is used by the District to accumulate funds for the
future liability for early retiree health benefits. The net income of the
internal service fund is reported with governmental activities. 300

Some items reported in the statement of activities do not require the use of
current financial resources and therefore are not reported as expenditures
in governmental funds. These activities consist of:

Net decrease in compensated absences	36,380	
Net increase in accreted interest	(382,724)	
Net decrease in accrued interest	18,917	
Net increase in other postemployment benefits obligation	<u>(700,926)</u>	
		<u>(1,028,353)</u>

Change in net position of governmental activities	\$ <u>(521,044)</u>
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See the accompanying notes to the financial statements.

CARMEL UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION -

PROPRIETARY FUND

June 30, 2014

	Governmental Activities: Internal Service Fund <hr/> Retiree Benefits Fund <hr/>
<u>Assets</u>	
Cash in county treasury	\$ 736,696
Accounts receivable	<u> 300</u>
Total Assets	<u><u>\$ 736,996</u></u>
<u>Net Position</u>	
Restricted	<u>\$ 736,996</u>
Total Net Position	<u><u>\$ 736,996</u></u>

See the accompanying notes to the financial statements.

CARMEL UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND**

For the Fiscal Year Ended June 30, 2014

	Governmental Activities: Internal Service Fund	Retiree Benefits Fund
OPERATING EXPENSES		
Employee benefits	\$ 709,407	
Total operating expenses	709,407	
Operating loss	(709,407)	
NONOPERATING REVENUES		
Interest income	2,039	
OTHER FINANCING SOURCES		
Interfund transfer in	707,668	
Total other financing sources	707,668	
Change in net position	300	
Net position at beginning of year	736,696	
Net position at end of year	\$ 736,996	

See the accompanying notes to the financial statements.

CARMEL UNIFIED SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Fiscal Year Ended June 30, 2014

	Governmental Activities: Internal Service Fund	Retiree Benefits Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid for retiree benefit insurance	\$ (709,407)	
Net cash used by operating activities	(709,407)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfer from General Fund	707,668	
Interest income	2,739	
Net cash provided by financing activities	710,407	
Net increase in cash and cash equivalents	1,000	
Cash and cash equivalents - Beginning	735,696	
Cash and cash equivalents - Ending	\$ 736,696	
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY		
OPERATING ACTIVITIES:		
Operating (loss)	\$ (709,407)	
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (709,407)</u>	
Cash balances at June 30, 2014 consisted of the following:		
Cash in county treasury	\$ 736,696	
Total cash balances at June 30, 2014	<u>\$ 736,696</u>	

See the accompanying notes to the financial statements.

CARMEL UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	Foundation Private Purpose Trust Fund	Associated Student Body Funds
<u>Assets</u>		
Cash in county treasury	\$ 100,787	\$
Cash on hand and in banks		116,026
Accounts receivable	100	
Stores inventory		19,503
Equipment		5,018
Total Assets	<u>100,887</u>	<u>\$ 140,547</u>
<u>Liabilities</u>		
Due to student groups		<u>\$ 140,547</u>
Total Liabilities	<u>-</u>	<u>\$ 140,547</u>
<u>Net Position</u>		
Restricted	<u>100,887</u>	
Total Net Position	<u>\$ 100,887</u>	

See the accompanying notes to the financial statements.

CARMEL UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2014

	Foundation Private Purposes Trust Fund
	<hr/>
Additions	
Revenue from local sources	\$ 433
Total Additions	<hr/> 433 <hr/>
Deductions	
Other Outgo	<hr/>
Total Deductions	<hr/> - <hr/>
Changes in net position	433
Net Position - Beginning of Year	<hr/> 100,454 <hr/>
Net Position - End of Year	<hr/> \$ 100,887 <hr/>

See the accompanying notes to the financial statements.

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*, updated to conform to the most current financial and reporting requirements promulgated by the California Department of Education. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The significant accounting policies applicable to the District are described below.

A. BASIS OF PRESENTATION:

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements.

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position, a Statement of Activities, and fund financial statements.

1. Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities displays information about the District as a whole. These statements include the financial activities of the primary government, including governmental activities of proprietary funds. Fiduciary funds are excluded.

CARMEL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. BASIS OF PRESENTATION: (continued)

1. Government-wide Financial Statements: (continued)

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. 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. Depreciation and interest expense have not been allocated to specific functions.

2. Fund Financial Statements:

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary and proprietary funds are reported by type.

CARMEL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. BASIS OF PRESENTATION: (continued)

2. Fund Financial Statements: (continued)

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

Instruction – includes the activities directly dealing with the interaction between teachers and students.

Instruction-related services – includes supervision of instruction, instructional library, media and technology, and school site administration.

Pupil services – includes home to school transportation, food services and other pupil services.

General administration – includes data processing services and all other general administration services.

Plant services – includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

Community services – includes activities that provide services to community participants other than students.

Other outgo – includes transfers to other agencies.

Debt service – includes principal and interest payments for long-term debt.

The proprietary and fiduciary fund expenditures are presented by natural classification.

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FUND ACCOUNTING:

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

The Statement of Revenues, Expenditures and Changes in Fund Balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

GOVERNMENTAL FUNDS – MAJOR

General Fund – the general operating fund of the District is used to account for all financial resources except those required to be accounted for in another fund. The Adult Education and Deferred Maintenance Funds have been consolidated with the General Fund due to the flexibility provisions enacted by education trailer bill SBX3 4 and the implementation of GASB Statement No. 54.

Special Reserve for Capital Outlay – used to account for specific board approved capital expenditures.

GOVERNMENTAL FUNDS – NON-MAJOR

Debt Service Funds – used to account for the financial resources that are restricted, committed or assigned and the accumulation of resources for, the payment of general long-term debt principal, interest, and related costs.

Bond Interest and Redemption Fund - used to account for the payment of principal and interest on general obligation bonds.

CARMEL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FUND ACCOUNTING: (continued)

GOVERNMENTAL FUNDS – NON-MAJOR (continued)

Special Revenue Funds - used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

1. Cafeteria Fund - used to account for revenues received and expenditures made to operate the District's cafeterias.
2. Child Development Fund - used to account for resources committed to child development programs.

Capital Projects Funds - used to account for the financial resources that are restricted, committed or assigned for the acquisition and/or construction of major governmental general fixed assets.

1. Capital Facilities Fund - used to account for resources received from residential and commercial developer impact fees.

PROPRIETARY FUND

Internal Service Fund

Retiree Benefits Fund – used to account for retiree benefits health insurance costs as well as the District's contribution toward future benefit costs.

FIDUCIARY FUNDS

Foundation Private Purpose Trust Fund – the District may use any amounts earned above the principal amount of \$100,000 for fine arts related purposes.

CARMEL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FUND ACCOUNTING: (continued)

GOVERNMENTAL FUNDS – NON-MAJOR (continued)

FIDUCIARY FUNDS (continued)

Associated Student Body Funds – used to account for raising and expending money to promote the general welfare, morale and educational experiences of the student body. The District operates two Associated Student Body funds.

C. BASIS OF ACCOUNTING:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

1. **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value.

CARMEL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

2. Receivables

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible. Per Education Code Section 33128.1, a local education agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year. The District has recognized receivables in accordance with this standard.

3. Inventories

Inventories are presented at the lower of cost or market on a weighted average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2014, the inventory in the Cafeteria Fund for food is \$8,898.

4. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

5. Capital Assets

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Statement of Net Position, but are not reported in the fund financial statements.

CARMEL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

5. Capital Assets (continued)

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20-50 years
Equipment	5-15 years

Depreciation expense reported on the government-wide statement of activities excludes direct depreciation expense recorded to functions where applicable.

6. Deferred Outflow of Resources

Deferred outflow of resources represent a consumption of net position or fund balance that applied to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

CARMEL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

7. Unearned Revenue

Cash received for federal, state and local special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

8. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave therefore accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

9. Long-Term Obligations

The District reports long-term debt of governmental funds at face value in the government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

CARMEL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

9. Long-Term Obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

11. Fund Balance Classification

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

CARMEL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

11. Fund Balance Classification (continued)

Committed: Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Education. These amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

Assigned: Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Education, through a formal action has given authority to Chief Business Official to assign amounts for a specific purpose that is neither restricted nor committed.

Unassigned: The residual fund balance for the General Fund and all other spendable amounts.

12. Spending Order Policy

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted net position or fund balance is available.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment functions.

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

13. Minimum Fund Balance Policy:

The District has adopted a minimum fund balance policy in order to protect against revenue shortfalls and unexpected one-time expenditures. The Board shall establish and maintain a General Fund reserve for economic uncertainty at 5 percent of the District's General Fund expenditure budget. In addition, the Board shall establish and maintain a Basic Aid reserve at a recommended level of no less than 10 percent of annual General Fund expenditures to provide transitional funding in the event of the potentially catastrophic loss of basic aid funding. Additionally, the Board will review its financial position annually to determine the incremental increase, if any, to the Basic Aid reserve. The Board will endeavor to achieve a Basic Aid reserve equivalent to the differential between its Basic Aid revenues and the State's revenue limit guarantee.

14. State Apportionments

Certain current year apportionments from the State are based upon various financial and statistical information of the previous year. Second period to annual corrections for LCFF and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.

15. Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. Property taxes receivable for the General Fund or Debt Service purposes cannot be estimated because the information was not provided by the county auditor and have therefore not been accrued in the Government-wide financial statements.

CARMEL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

16. On-Behalf Payments

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' on behalf of all school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$1,057,000 for STRS.

17. Contributed Services

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of immaterial equipment and supplies which are not recorded upon receipt.

18. Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from nonoperating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as self-insurance premiums. Nonoperating revenues include activities that have the characteristics of nonexchange transactions that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

CARMEL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING: (continued)

19. Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from nonoperating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as self-insurance premiums. Nonoperating revenues include activities that have the characteristics of nonexchange transactions that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

20. Estimates

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

D. REPORTING ENTITY:

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Education.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*.

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. REPORTING ENTITY: (continued)

The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
2. The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

The following potential component units have been excluded from the District's reporting entity:

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. REPORTING ENTITY: (continued)

Friends of Carmel Unified Schools – a California non-profit Corporation and Public Education Foundation (established 1979), supports quality education within the Carmel Unified School District. The Foundation raises money for the purpose of providing grants and resources to benefit students, teachers and the educational community as a whole.

Various PTA, PTO, Foundations and Booster Clubs – Each of these types of organizations at each of the school sites within the District were evaluated using the three criterion listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO, Foundations and the Booster Club individually are not significant to the District.

NOTE 2 - BUDGETS:

By state law, the District's Governing Board must approve a budget no later than July 1, using the Single Adoption Budget process. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with GAAP.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section. This schedule also includes budgets for the Adult Education and Deferred Maintenance Funds due to implementation of GASB Statement No. 54.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 3 - DEPOSITS:

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2014, none of the District's bank balance of \$137,043 was exposed to credit risk.

Cash in County

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Monterey County Treasury as part of the common investment pool. These pooled funds are carried at unamortized cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2014, as provided by the County Treasurer, was \$27,182,138 as is based upon the District's pro-rata share of the fair value for the entire portfolio (in relation to the authorized cost of the portfolio).

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county 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, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The County investment pool is not required to be rated.

CARMEL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 - INTERFUND TRANSACTIONS:

Interfund activity has been eliminated in the Government-wide statements. The following balances and transactions are reported in the fund financial statements.

A. Interfund Receivables/Payables

Individual interfund receivable and payable balances at June 30, 2014 are temporary loans and are expected to be repaid within one year from the date of the financial statements.

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General Fund	\$ 1,625,614	\$
Special Reserve for Capital Outlay		1,561,966
Non-Major Funds:		
Child Development		20,580
Cafeteria		39,557
Capital Facilities		3,511
Totals	\$ 1,625,614	\$ 1,625,614

CARMEL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 - INTERFUND TRANSACTIONS: (continued)

B. Interfund Transfers

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

Interfund transfers for the 2013-14 fiscal year are as follows:

Transfer from the General Fund to Child Development Fund for Board approved supplement to employees' children's tuition	\$ 195,172
Transfer from the General Fund to the Cafeteria Fund to cover the operational shortfall	175,769
Transfer from the General Fund to the Special Reserve for Capital Outlay Projects Fund for Board approved capital projects	6,515,616
Transfer from the General Fund to the Retiree Benefits Fund to fund the District's contribution for retiree health benefits	<u>707,668</u>
Total	<u><u>\$7,594,225</u></u>

CARMEL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 - FUND BALANCES:

The following amounts were nonspendable, restricted, assigned or unassigned as shown below:

	General Fund	Special Reserve for Capital Outlay	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Revolving cash	\$ 5,000	\$	\$	\$ 5,000
Inventory			8,898	8,898
Total Nonspendable	<u>5,000</u>	<u>-</u>	<u>8,898</u>	<u>13,898</u>
Restricted				
Legally restricted programs	511,222		33,102	544,324
Debt service			2,110,747	2,110,747
Total Restricted	<u>511,222</u>	<u>-</u>	<u>2,143,849</u>	<u>2,655,071</u>
Assigned				
Capital projects	3,666,123	5,359,441		9,025,564
Technology		446,760		446,760
Curriculum	100,000			100,000
Adult education	95,807			95,807
Deferred maintenance	647,553			647,553
Basic aid reserve	9,272,283			9,272,283
Routine restricted maintenance	472,279			472,279
School safety	50,000	283,669		333,669
Bus replacement		200,000		200,000
Total Assigned	<u>14,304,045</u>	<u>6,289,870</u>	<u>-</u>	<u>20,593,915</u>
Unassigned				
Economic uncertainties	2,540,368			2,540,368
Total Unassigned	<u>2,540,368</u>	<u>-</u>	<u>-</u>	<u>2,540,368</u>
Total fund balances	<u>\$ 17,360,635</u>	<u>\$ 6,289,870</u>	<u>\$ 2,152,747</u>	<u>\$ 25,803,252</u>

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 6 – GENERAL OBLIGATION BONDS:

- A. On August 1, 2000, the District issued \$10,335,000 General Obligation Bonds, Series 2000. The Bonds were issued to renovate and modernize schools in the District. The Series 2000 and 2002 Bonds were authorized at a special election of the registered voters of the District held on May 23, 2000, at which time, more than two-thirds of the persons voting authorized the issuance and sale of bonds not to exceed \$20,000,000 for the purpose of acquiring and construction of school facilities.

On February 1, 2002, the District issued \$9,663,455 General Obligation Bonds, Series 2002. The Series 2002 Bonds were issued as current interest Series 2002 Bonds and capital appreciation Series 2002 Bonds. The capital appreciation Series 2002 Bonds are dated the date of delivery of the current interest Series 2002 Bonds and accrete in value from such date compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2002.

The Series 2000 and 2002 Bonds are payable solely from ad valorem property taxes levied and collected by the County of Monterey. The Board of Supervisors of the County has the power and is obligated to annually levy ad valorem taxes for the payment of interest and principal of the Series 2000 Bonds. Interest accrues from August 1, 2000, and is payable semiannually on February 1 and August 1 of each year commencing February 1, 2001.

- B. The Series 2006 Bonds were authorized at a special election of the registered voters of the District held on November 8, 2005 at which 55% or more of the persons voting authorized the issuance and sale of not to exceed \$21,500,000 principal amount of general obligation bonds to renovate, modernize, and construct school facilities for the District.

On August 1, 2006, the District issued \$10,750,744 General Obligation Bonds, Series 2006. The Series 2006 Bonds were issued as Current Interest and Capital Appreciation Bonds. The Capital Appreciation Bonds Series 2006 Bonds accrete in value compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2007.

On August 1, 2008, the District issued \$10,749,246 General Obligation Bonds, Series 2008. The Series 2008 Bonds were issued as Current Interest and Capital Appreciation Bonds. The Capital Appreciation Bonds Series 2008 Bonds accrete in value compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2009.

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 6 – GENERAL OBLIGATION BONDS: (continued)

- C. On April 29, 2010, the District offered for sale \$15,140,000 of general obligation refunding bonds under the provisions of Title 5, Division II, Part 10, Chapter 1 of the State of California Education Code and pursuant to the County Resolution dated August 14, 2001. The bonds were issued for the purpose of partially refunding the outstanding 2000 series. The proceeds associated with the refunding were deposited in an escrow account for future payment. In 2011-12, the 2000 series general obligation bonds were fully defeased by the escrow refunding agent.

The outstanding general obligation bonded debt is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2013	New Issuance	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2014
2002	Feb-02	8/1/2026	3.50-6.00%	\$ 9,663,455	\$ 1,997,282	\$	\$113,725	\$	\$ 2,111,007
2006	Aug-06	8/1/2030	4.00-5.00%	10,750,744	10,637,952		141,710	220,000	10,559,662
2008	Aug-08	8/1/2033	4.00-5.00%	10,749,246	11,052,998		127,289	110,000	11,070,287
Refunding Aug-10	8/1/2025	2.00-5.00%		15,140,000	13,835,000			775,000	13,060,000
	Total			<u>\$ 46,303,445</u>	<u>\$37,523,232</u>	<u>\$ -</u>	<u>\$382,724</u>	<u>\$1,105,000</u>	<u>\$ 36,800,956</u>

The annual requirements to amortize Series 2002 bonds payable, outstanding as of June 30, 2014, are as follows:

Year Ending June 30,	Current Interest Bond Principal	Capital Appreciation Bond Principal	Accreted Interest Component	Total
2024-2027	\$	\$ 1,098,455	\$ 2,811,545	\$ 3,910,000
Total	<u>\$ -</u>	<u>\$ 1,098,455</u>	<u>\$ 2,811,545</u>	<u>\$ 3,910,000</u>

Capital appreciation bonds were issued as part of Series 2002 with maturity dates from August 1, 2002 through 2026. Prior to the applicable maturity date, each bond will accrete interest on the principal components, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. The capital appreciation bond principal of \$1,098,455 and accreted interest accrued of \$1,012,552 has been reflected in the long-term debt balance.

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 6 – GENERAL OBLIGATION BONDS: (continued)

The annual requirements to amortize Series 2006 bonds payable, outstanding as of June 30, 2014, are as follows:

Year Ending June 30,	Current Interest Bond Principal	Capital Appreciation Bond Principal	Accreted Interest Component	Current Interest Component	Total
2015	\$ 275,000	\$	\$	\$ 356,906	\$ 631,906
2016	325,000			344,907	669,907
2017	390,000			330,606	720,606
2018	450,000			313,806	763,806
2019	515,000			291,931	806,931
2020-2024	3,855,000			1,023,925	4,878,925
2025-2029	2,270,000	1,021,545	1,918,455	116,750	5,326,750
2030-2031		629,199	1,915,801		2,545,000
Total	<u>\$ 8,080,000</u>	<u>\$ 1,650,744</u>	<u>\$ 3,834,256</u>	<u>\$ 2,778,831</u>	<u>\$16,343,831</u>

Capital appreciation bonds were issued as part of Series 2006 with maturity dates from August 1, 2007 through 2030. Prior to the applicable maturity date, each bond will accrete interest on the principal components, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. The capital appreciation bond principal of \$1,650,744 and accreted interest accrued of \$828,920 has been reflected in the long-term debt balance.

The annual requirements to amortize Series 2008 bonds payable, outstanding as of June 30, 2014 are as follows:

Year Ending June 30,	Current Interest Bond Principal	Capital Appreciation Bond Principal	Accreted Interest Component	Current Interest Component	Total
2015	\$ 135,000	\$	\$	\$ 415,838	\$ 550,838
2016	165,000			410,938	575,938
2017	185,000			404,938	589,938
2018	220,000			397,938	617,938
2019	255,000			389,837	644,837
2020-2024	1,875,000			1,767,063	3,642,063
2025-2029	3,985,000			1,224,644	5,209,644
2030-2034	2,070,000	1,564,247	4,900,754	489,024	9,024,025
Total	<u>\$ 8,890,000</u>	<u>\$ 1,564,247</u>	<u>\$ 4,900,754</u>	<u>\$ 5,500,220</u>	<u>\$ 20,855,221</u>

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 6 – GENERAL OBLIGATION BONDS: (continued)

Capital appreciation bonds were issued as part of Series 2008 with maturity dates from August 1 2010 through 2033. Prior to the applicable maturity date, each bond will accrete interest on the principal components, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. The capital appreciation bond principal of \$1,564,247 and accreted interest accreted of \$616,040 has been reflected in the long-term debt balance.

The annual requirements to amortize 2010 refunding bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 840,000	\$ 524,550	\$ 1,364,550
2016	920,000	485,150	1,405,150
2017	1,000,000	441,750	1,441,750
2018	1,090,000	389,500	1,479,500
2019	1,185,000	338,550	1,523,550
2020-2024	6,395,000	989,656	7,384,656
2025-2026	<u>1,630,000</u>	<u>17,956</u>	<u>1,647,956</u>
Total	13,060,000	<u>\$ 3,187,112</u>	<u>\$16,247,112</u>
Unamortized bond premium*	<u>977,749</u>		
	<u>\$ 14,037,749</u>		

*Proceeds received in excess of debt are added to the maturity amount on the Statement of Net Position and amortized to interest expense over the life of the liability. The refunding bonds included a total premium of \$1,222,186. Amortization of \$81,479 was recognized during the 2013-14 year.

The difference between the reacquisition price and the net carrying amount on refunded debt is deferred and amortized as a component of interest expense over the life of the new debt. Payments to the refunding escrow agent exceeded the existing carrying value of the refunded debt by \$825,880. Amortization of \$51,618 was recognized during the 2013-14 year.

CARMEL UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 – LONG-TERM DEBT – SCHEDULE OF CHANGES:

A schedule of changes in long-term debt for the year ended June 30, 2014 is shown below.

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due in One Year
General Obligation Bonds:					
Series 2002 - capital appreciation and accreted interest	\$ 1,997,282	\$ 113,725	\$	\$ 2,111,007	\$
Series 2006 - current interest	8,300,000		220,000	8,080,000	275,000
Series 2006 - capital appreciation and accreted interest	2,337,952	141,710		2,479,662	
Series 2008 - current interest	9,000,000		110,000	8,890,000	135,000
Series 2008 - capital appreciation and accreted interest	2,052,998	127,289		2,180,287	
2010 refunding bonds	13,835,000		775,000	13,060,000	840,000
2010 refunding bonds premium	1,059,228		81,479	977,749	
Total General Obligation Bonds	38,582,460	382,724	1,186,479	37,778,705	1,250,000
Compensated absences	295,288		36,380	258,908	
Other postemployment benefits	2,622,704	700,926		3,323,630	
Total	<u>\$41,500,452</u>	<u>\$ 1,083,650</u>	<u>\$ 1,222,859</u>	<u>\$41,361,243</u>	<u>\$ 1,250,000</u>

NOTE 8 – CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES:

Capital asset activity for the year ended June 30, 2014 is shown below:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Capital Assets Not Depreciated:				
Land	\$ 2,375,748	\$	\$	\$ 2,375,748
Work in progress	2,833,148	3,354,411	4,411,371	1,776,188
Total of capital assets not depreciated	<u>5,208,896</u>	<u>3,354,411</u>	<u>4,411,371</u>	<u>4,151,936</u>
Capital Assets Depreciated:				
Buildings and improvements	77,581,680	4,231,534	55,164	81,758,050
Equipment	3,542,946	168,607	55,128	3,656,425
Total of capital assets depreciated	<u>81,124,626</u>	<u>4,400,141</u>	<u>110,292</u>	<u>85,414,475</u>
Less accumulated depreciation for:				
Buildings and improvements	27,144,020	2,566,096		29,710,116
Equipment	2,478,065	207,975	55,128	2,630,912
Total accumulated depreciation	<u>29,622,085</u>	<u>2,774,071</u>	<u>55,128</u>	<u>32,341,028</u>
Governmental activities capital assets, net	<u>\$ 56,711,437</u>	<u>\$ 4,980,481</u>	<u>\$ 4,466,535</u>	<u>\$ 57,225,383</u>

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 9 - EMPLOYEE RETIREMENT PLANS:

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the State Teachers' Retirement System (STRS), classified employees are members of the Public Employees' Retirement System (PERS), and part-time, seasonal and temporary employees and employees not covered by STRS or PERS are members of the Public Agency Retirement System (PARS).

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0% 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

Public Employees' Retirement System (PERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0% 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. The required employer contribution rate for fiscal year 2013-14 was 11.442% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Contributions to STRS and PERS

The District's contributions to STRS and PERS for each of the last three fiscal years is as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2012	\$1,579,027	100%	\$766,603	100%
2013	1,524,248	100%	794,328	100%
2014	1,611,754	100%	837,098	100%

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS:

Plan Description and Eligibility

The District offers medical, dental, and vision benefits to its employees and retirees. These benefits are offered as a package through the Monterey County Schools Insurance Group (“MCSIG”) JPA. A three-tiered rate structure applies to active employees and retirees under the age of 65. The medical plan is a PPO option with no lifetime maximum benefits. Dental and vision benefits are provided through Delta Dental and Vision Service Plan.

Classified and Confidential employees who have retired under CalPERS and have completed at least 10 years of service with the District (with at least 3 consecutive years immediately prior to retirement) are eligible to retire and receive District-paid medical, dental and vision coverage (including dependents) up to an annual District cap that varies by tier. Benefits continue until the retiree reaches his or her 66th birthday. Upon attaining age 65, retirees must provide proof of coverage under Medicare Parts “A” and “B”. Retirees with Medicare may choose from MCSIG Medicare Option I or a Medicare Supplemental plan.

Certificated, Administrative, and Management employees follow the same rules as Classified and Confidential employees except that they must have attained age 55 and completed a minimum of five years of service with the District (with at least five consecutive years immediately prior to retirement).

Funding Policy

The District currently finances benefits on a pay-as-you-go basis. The District contributes 100 percent of the cost of current year premiums for eligible retired plan members and their spouses as applicable. For fiscal year ended 2014, the District contributed \$1,087,278 to the plan and total member contributions were \$463,058.

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	\$ 1,657,929
Interest on net OPEB obligation	104,908
Adjustment to annual required contribution	(151,671)
Annual OPEB cost (expense)	1,611,166
Contributions made	(910,240)
Change in net OPEB obligation	700,926
Net OPEB obligation - Beginning of Year	2,622,704
Net OPEB obligation - End of Year	<u>\$ 3,323,630</u>

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 1,456,509	77.1%	\$ 1,180,125
6/30/2011	\$ 1,451,481	70.3%	\$ 1,610,138
6/30/2012	\$ 1,498,742	68.6%	\$ 2,078,712
6/30/2013	\$ 1,631,270	66.7%	\$ 2,622,704
6/30/2014	\$ 1,611,166	77.0%	\$ 3,323,630

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Funding Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$12,067,654. The covered payroll (annual payroll of active employees covered by the plan) was \$25,314,260, and the ratio of the UAAL to the covered payroll was 47.7%.

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

Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the projected unit credit cost actuarial method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after 3 years. Both rates included a 3 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar of projected payroll on an open basis over thirty years.

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE 11 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER
AUTHORITIES**

The District is a member of the Monterey and San Benito Counties Liability and Property Joint Powers Authority (MSBCLPJA), the Monterey County Schools Insurance Group (MCSIG) and the Monterey County Schools Workers' Compensation Joint Powers Authority (MCSWCJA) public entity risk pools. For property and liability and workers' compensation insurance, they are organized on a county basis, but not all districts in the County are members. The District elected to become a member of MCSIG effective July 1, 2006. The District makes monthly payments to MCSIG based on the level of employee participation, annual contribution rates set by MCSIG, and in accordance with collective bargaining agreements. The JPA's arranged for and provide the respective types of insurance. Each member District pays a premium commensurate with the level of coverage requested and experience modifier. In the property and liability JPA, each member is responsible for their claims up to a maximum of \$50,000 for liability and \$50,000 for property. The member's share of claim costs is added to their premiums.

Each JPA is governed by a board consisting of a representative from each member District. This board controls the operations of its JPA independent from any influence by the members beyond their representation on the governing boards.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

The District has appointed one board member and one alternative to each of the governing boards of MSBCLPJA, MCSWCJA and MCSIG.

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE 11 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER
AUTHORITIES (continued)**

During the year ended June 30, 2014, the District made payments of \$195,951 to MSBCLPJA for liability and property insurance, \$259,720 to MCSWCJPA for workers' compensation insurance and \$5,502,074 to MCSIG representing payment of premiums for health related coverage.

	MSBCLPJA (Audited) <u>June 30, 2013</u>	MCSWCJPA (Audited) <u>June 30, 2013</u>	MCSIG (Audited) <u>June 30, 2013</u>
Total Assets	\$ 2,035,519	\$ 38,694,719	\$ 15,829,841
Total Liabilities	<u>1,794,546</u>	<u>34,254,233</u>	<u>12,818,650</u>
Fund Balance	<u>\$ 240,973</u>	<u>\$ 4,440,486</u>	<u>\$ 3,011,191</u>
Total Revenues	\$ 3,517,558	\$ 7,848,044	\$ 62,303,336
Total Expenditures	<u>3,559,575</u>	<u>9,876,855</u>	<u>65,939,134</u>
Net Decrease in Fund Balance	<u>\$ (42,017)</u>	<u>\$ (2,028,811)</u>	<u>\$ (3,635,798)</u>

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 12 - COMMITMENTS AND CONTINGENCIES:

A. State and Federal Allowances, Awards, and Grants

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

B. Purchase Commitments

As of June 30, 2014, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$520,000. Projects will be funded through County School Facilities Fund grants, Capital Facilities Funds and General Funds.

C. Litigation

The District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**NOTE 13 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS
ISSUED, NOT YET EFFECTIVE:**

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2014, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements 67 through 68 have been issued and those statements that will most likely impact the District are summarized below.

Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB Issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This standard is designed to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions provided by other entities. This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*. This statement is effective for fiscal year 2014-15 financial statements.

Governmental Accounting Standards Board Statement No. 71

In November 2013, the GASB issued Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 8*. This statement addresses an issue regarding application of the transition provision of Statement No. 68. This statement is effective for fiscal year 2014-15 financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CARMEL UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts - General Fund		Actual Amounts	(a) Fund Basis to GAAP	Actual Amounts
	Original	Final	General Fund		GAAP Basis
Revenues					
LCFF sources	\$ 38,661,987	\$ 41,576,042	\$ 41,576,042	\$	\$ 41,576,042
Federal sources	553,523	529,252	529,252		529,252
Other State sources	1,900,628	1,316,383	1,316,383		1,316,383
Other local sources	1,075,465	1,720,268	1,720,277	119,024	1,839,301
Total Revenues	<u>42,191,603</u>	<u>45,141,945</u>	<u>45,141,954</u>	<u>119,024</u>	<u>45,260,978</u>
Certificated salaries	18,148,215	19,016,377	18,951,526	111,505	19,063,031
Classified salaries	6,921,505	7,680,672	7,680,672	41,030	7,721,702
Employee benefits	7,944,083	8,142,585	8,060,288	43,035	8,103,323
Books and supplies	2,705,874	2,528,449	2,372,121	16,591	2,388,712
Services and other operating expenses	3,971,860	4,268,112	4,229,837	6,176	4,236,013
Capital outlay	4,468,486	299,102	298,991	332,340	631,331
Other outgo	290,000	364,052	364,052		364,052
Debt service		7,200	7,200		7,200
Total Expenditures	<u>44,450,023</u>	<u>42,306,549</u>	<u>41,964,687</u>	<u>550,677</u>	<u>42,515,364</u>
Net change in fund balance	<u>(2,258,420)</u>	<u>2,835,396</u>	<u>3,177,267</u>	<u>(431,653)</u>	<u>2,745,614</u>
Other Financing Sources (Uses)					
Interfund transfers (out) in	(909,995)	(8,842,674)	(8,842,674)	1,248,449	(7,594,225)
Total Other Financing Sources (Uses)	<u>(909,995)</u>	<u>(8,842,674)</u>	<u>(8,842,674)</u>	<u>1,248,449</u>	<u>(7,594,225)</u>
Net change in fund balance	<u>\$ (3,168,415)</u>	<u>\$ (6,007,278)</u>	<u>(5,665,407)</u>	<u>816,796</u>	<u>(4,848,611)</u>
Fund Balance - Beginning of Year			<u>22,157,398</u>	<u>51,848</u>	<u>22,209,246</u>
Fund Balance - End of Year			<u>\$ 16,491,991</u>	<u>\$ 868,644</u>	<u>\$ 17,360,635</u>

(a) Amounts presented are the result of the District including activity of the Adult Education and Deferred Maintenance funds.
(See Note 1B on page 15)

See the accompanying notes to the required supplementary information.

CARMEL UNIFIED SCHOOL DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS

For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Unit Cost Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2007	\$ -	\$ 12,036,801	\$ 12,036,801	0.0%	\$ 21,084,407	57.1%
7/1/2009	-	10,374,510	10,374,510	0.0%	21,566,614	48.1%
7/1/2011	-	10,729,687	10,729,687	0.0%	23,569,230	45.5%
7/1/2013	-	12,067,654	12,067,654	0.0%	25,314,260	47.7%

Although the plan has no segregated assets, the District does maintain the postemployment benefits within the retiree benefits fund which accounts for retiree benefits health insurance costs as well as the District's contribution toward future benefit costs. At June 30, 2014, the fund's restricted net position was \$736,996.

See the accompanying notes to the required supplementary information.

CARMEL UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2014

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Budgetary Comparison for the General Fund

A budgetary comparison be presented for the General Fund. This schedule presents the budget as originally adopted, the revised budget as of the fiscal year end, actual amounts at fiscal yearend and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

B. Schedule of Postemployment Healthcare Benefits Funding Progress

The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excesses of expenditures over appropriations in the General Fund.

SUPPLEMENTARY INFORMATION

CARMEL UNIFIED SCHOOL DISTRICT

HISTORY AND ORGANIZATION

June 30, 2014

Carmel Unified School District was established on July 1, 1939 and is comprised of 594 square miles. There are four distinctive population centers within the boundaries of the District; Carmel-by-the-Sea, Carmel Valley, Pebble Beach and Big Sur. The District operates three elementary schools, one middle school, one high school, one alternative high school, and a regional occupational program on the traditional August through June schedule. The District also operates two pre-schools and an adult education program on an extended year basis.

The Board of Education and the District Administrators for the fiscal year ended June 30, 2014 were as follows:

BOARD OF EDUCATION

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Karl Pallestrini	President	December 2015
Rita Patel	Board Clerk	December 2015
John Ellison	Member	December 2017
Mark Stilwell	Member	December 2017
Annette Yee-Steck	Member	December 2015

DISTRICT ADMINISTRATORS

Marvin Biasotti	Superintendent
Rick Blanckmeister	Chief Business Official
Edmund Gross	Chief Academic Officer
Paul Behan	Chief Technology Officer
Kris Stanga	Director, Human Resources and Public Information
Heath Rocha	Director of Special Education, Student Services, and Child Development

CARMEL UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2014**

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the State Department of Education.

ADA statistics reported to the State for the fiscal year ended June 30, 2014 are as follows:

	<u>Second Period</u>	<u>Annual</u>
Grades kindergarten through third		
Regular ADA	<u>658.16</u>	<u>658.44</u>
Total grades kindergarten through third ADA	<u>658.16</u>	<u>658.44</u>
Grades four through six		
Regular ADA	<u>496.80</u>	<u>497.18</u>
Total grades four through six ADA	<u>496.80</u>	<u>497.18</u>
Grades seven through eight		
Regular ADA	<u>397.05</u>	<u>398.47</u>
Total grades seven through eight ADA	<u>397.05</u>	<u>398.47</u>
Grades nine through twelve		
Regular ADA	<u>818.38</u>	<u>812.87</u>
Total grades nine through twelve ADA	<u>818.38</u>	<u>812.87</u>
Total ADA	<u><u>2,370.39</u></u>	<u><u>2,366.96</u></u>

See the accompanying notes to the supplementary information.

CARMEL UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2014**

Grade Level	2013-14 Minutes			Days Traditional Calendar	Status
	Normal Requirement	Reduced Requirement	Actual Minutes		
Kindergarten	36,000	35,000	48,450	175	In Compliance
Grade 1	50,400	49,000	55,925	175	In Compliance
Grade 2	50,400	49,000	55,925	175	In Compliance
Grade 3	50,400	49,000	55,925	175	In Compliance
Grade 4	54,000	52,500	55,925	175	In Compliance
Grade 5	54,000	52,500	55,925	175	In Compliance
Grade 6	54,000	52,500	66,160	175	In Compliance
Grade 7	54,000	52,500	66,160	175	In Compliance
Grade 8	54,000	52,500	66,160	175	In Compliance
Grade 9	64,800	63,000	68,980	175	In Compliance
Grade 10	64,800	63,000	68,980	175	In Compliance
Grade 11	64,800	63,000	68,980	175	In Compliance
Grade 12	64,800	63,000	68,980	175	In Compliance

See the accompanying notes to the supplementary information.

CARMEL UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014**

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Agriculture			
Pass-Through Programs From:			
California Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391	\$ 141,238
Especially Needy Breakfast Program	10.553	13390	65,195
Meal Supplements	10.553	(1)	4,235
Forest Reserve Funds	10.665	10044	1,133
Total U.S. Department of Agriculture			<u>211,801</u>
U.S. Department of Education			
Pass-Through Programs From:			
California Department of Education			
Special Education Cluster:			
Special Education-IDEA Basic Local Assistance Entitlement	84.027	13379	269,118
Special Ed: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	2,919
No Child Left Behind:			
Title I - Basic Grants	84.010	14329	169,800
Title II - Improving Teacher Quality	84.367	14341	56,686
Vocational Programs	84.048	14894	7,612
Total U.S. Department of Education			<u>506,135</u>
U.S. Department of Health and Human Services			
Pass-Through Programs From:			
Department of Health Services			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	21,547
Medi-cal Billing Option	93.778	10060	18,210
			<u>39,757</u>
Total U.S. Department of Health and Human Services			
Total Federal Expenditures			<u>\$ 757,693</u>
Reconciliation to Federal Revenue			
Total Federal Program Expenditures			\$ 757,693
Revenue in excess (deficiency) of expenditures related to Federal Entitlements:			
Child Development - Federal Child Care			(214)
Total Federal Program Revenue			<u>\$ 757,479</u>

The District was granted \$26,414 of commodities under the National School Lunch Program (CFDA 10.555).

See the accompanying notes to supplementary information.

CARMEL UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Years Ended June 30,

	(Budget) 2015		2014		2013		2012	
	Amount	%	Amount	%	Amount	%	Amount	%
<u>Revenue</u>								
LCFF/Revenue Limit Sources	\$ 42,090,364	94.3	\$ 41,576,042	81.8	\$ 38,128,418	86.3	\$ 37,268,904	90.1
Federal	582,027	1.3	529,253	1.0	549,657	1.2	492,101	1.2
State	516,373	1.2	1,316,383	2.6	2,609,506	5.9	1,765,418	4.3
Other Local	1,185,256	2.7	1,720,277	3.4	1,591,454	3.6	1,379,276	3.3
Interfund Transfers In	-	-	-	-	-	-	15,081	-
Total Revenue	<u>44,374,020</u>	<u>99.5</u>	<u>45,141,955</u>	<u>88.8</u>	<u>42,879,035</u>	<u>97.0</u>	<u>40,920,780</u>	<u>98.9</u>
<u>Expenditures</u>								
Certificated Salaries	19,031,915	42.6	18,951,526	37.3	17,981,916	40.7	17,509,256	42.4
Classified Salaries	7,905,129	17.7	7,680,672	15.1	7,352,597	16.7	7,053,385	17.1
Employee Benefits	8,725,555	19.5	8,060,288	15.9	7,764,081	17.6	8,054,888	19.5
Books and Supplies	2,905,423	6.6	2,372,121	4.7	2,158,988	4.9	2,188,110	5.2
Services and Other								
Operating Expenses	4,398,040	9.8	4,229,837	8.3	3,553,797	8.0	3,430,250	8.3
Capital Outlay	49,000	0.1	298,991	0.6	3,668,709	8.3	1,391,275	3.4
Other Outgo	357,200	0.8	364,052	0.7	389,367	0.9	470,267	1.1
Debt Service	-	-	7,200	-	7,200	-	7,200	-
Interfund Transfers Out	1,280,358	2.9	8,842,674	17.4	1,280,095	2.9	1,239,189	3.0
Total Expenditures	<u>44,652,620</u>	<u>100.0</u>	<u>50,807,361</u>	<u>100.0</u>	<u>44,156,750</u>	<u>100.0</u>	<u>41,343,820</u>	<u>100.0</u>
Change in Fund Balance	<u>\$ (278,600)</u>	<u>(0.5)</u>	<u>\$ (5,665,406)</u>	<u>(11.2)</u>	<u>\$ (1,277,715)</u>	<u>(3.0)</u>	<u>\$ (423,040)</u>	<u>(1.1)</u>
Ending Fund Balance	<u>\$ 16,213,392</u>	<u>36.3</u>	<u>\$ 16,491,992</u>	<u>32.5</u>	<u>\$ 22,157,398</u>	<u>50.2</u>	<u>\$ 23,435,113</u>	<u>56.7</u>
Available Reserve	<u>\$ 5,495,476</u>	<u>12.3</u>	<u>\$ 5,990,567</u>	<u>11.8</u>	<u>\$ 2,207,837</u>	<u>5.0</u>	<u>\$ 2,231,243</u>	<u>5.4</u>
Recommended Reserve Percentage		<u>3.0</u>		<u>3.0</u>		<u>3.0</u>		<u>3.0</u>
Average Daily Attendance	<u>2,370</u>		<u>2,370</u>		<u>2,244</u>		<u>2,254</u>	
Total Long-Term Debt	<u>\$ 40,421,427</u>		<u>\$ 41,361,243</u>		<u>\$ 41,500,452</u>		<u>\$ 41,874,807</u>	

IMPORTANT NOTES:

All percentages are of total expenditures.

Amounts above are those reported as General Fund in the State accounting software and do not include Adult Education and Deferred Maintenance Funds reported in the General Fund according to GASB Statement No. 54.

Available reserves are those amounts reserved for economic uncertainty and any other remaining unassigned fund balance in the General Fund.

2015 budget is the original budget adopted.

See the accompanying notes to supplementary information.

CARMEL UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2014

Carmel Unified School District is not the granting agency for any Charter Schools.

See the accompanying notes to supplementary information.

CARMEL UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

There were no differences between the fund balances reported on the June 30, 2014 Annual Financial and Budget Report for the governmental funds and the audited financial statements.

See the accompanying notes to supplementary information.

CARMEL UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2014

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Average Daily Attendance (ADA)

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

B. Schedule of Instructional Time

The District met or exceeded its target funding and has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

C. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs and is presented on the modified accrual basis of accounting.

D. Schedule of Financial Trends and Analysis

The *Standards and Procedures for Audits of California K-12 Local Education Agencies* requires that this schedule be prepared showing financial trends of the General Fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

E. Schedule of Charter Schools

The *Standards and Procedures for Audits of California K-12 Local Education Agencies* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

CARMEL UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2014

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

F. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the annual Financial and Budget Report form to the audited financial statements.

OPTIONAL SUPPLEMENTARY INFORMATION

CARMEL UNIFIED SCHOOL DISTRICT

**NON-MAJOR FUNDS
COMBINING BALANCE SHEET
June 30, 2014**

	Bond Interest and Redemption Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Total Governmental Funds
<u>Assets</u>					
Cash in county treasury	\$ 2,110,747	\$ 40,254	\$ 8,252	\$	\$ 2,159,253
Collections awaiting deposit			25,831	1,461	27,292
Accounts receivable					
Federal and state governments			4,553		4,553
Miscellaneous		15,500	1,899	2,050	19,449
Inventories			8,898		8,898
Total Assets	\$ 2,110,747	\$ 55,754	\$ 49,433	\$ 3,511	\$ 2,219,445
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$	\$ 2,072	\$ 978	\$	\$ 3,050
Due to other funds		20,580	39,557	3,511	63,648
Total Liabilities	-	22,652	40,535	3,511	66,698
Fund Balances					
Nonspendable			8,898		8,898
Restricted	2,110,747	33,102			2,143,849
Total Fund Balances	2,110,747	33,102	8,898	-	2,152,747
Total Liabilities and Fund Balances	\$ 2,110,747	\$ 55,754	\$ 49,433	\$ 3,511	\$ 2,219,445

See the accompanying notes to the optional supplementary information.

CARMEL UNIFIED SCHOOL DISTRICT

NON-MAJOR FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2014

	Bond Interest and Redemption Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Total Governmental Funds
Revenues					
Federal sources	\$	\$ 17,558	\$ 210,669	\$ -	\$ 228,227
Other state sources	6,628	113,526	16,277		136,431
Other local sources	<u>2,591,596</u>	<u>1,014,823</u>	<u>380,298</u>	<u>66,861</u>	<u>4,053,578</u>
Total Revenues	<u>2,598,224</u>	<u>1,145,907</u>	<u>607,244</u>	<u>66,861</u>	<u>4,418,236</u>
Instruction		349,245			349,245
Instruction - related services		108,621			108,621
Pupil services			785,967		785,967
Plant services				116,381	116,381
Community services		851,913			851,913
Debt service	<u>2,448,692</u>				<u>2,448,692</u>
Total Expenditures	<u>2,448,692</u>	<u>1,309,779</u>	<u>785,967</u>	<u>116,381</u>	<u>4,660,819</u>
Excess (deficiency) of revenues over expenditures	<u>149,532</u>	<u>(163,872)</u>	<u>(178,723)</u>	<u>(49,520)</u>	<u>(242,583)</u>
Other Financing Sources					
Interfund transfers in		<u>195,172</u>	<u>175,769</u>		<u>370,941</u>
Total Other Financing Sources	<u>-</u>	<u>195,172</u>	<u>175,769</u>	<u>-</u>	<u>370,941</u>
Net changes in fund balances	149,532	31,300	(2,954)	(49,520)	128,358
Fund Balance - Beginning of Year	<u>1,961,215</u>	<u>1,802</u>	<u>11,852</u>	<u>49,520</u>	<u>2,024,389</u>
Fund Balance - End of Year	<u>\$ 2,110,747</u>	<u>\$ 33,102</u>	<u>\$ 8,898</u>	<u>\$ -</u>	<u>\$ 2,152,747</u>

See the accompanying notes to the optional supplementary information.

CARMEL UNIFIED SCHOOL DISTRICT

**NOTES TO OPTIONAL SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2014**

NOTE 1 - PURPOSE OF SCHEDULES:

Combining Fund Financial Statements

Combining balance sheet and statement of revenues, expenditures and changes in fund balance have been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS

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

Board of Education
Carmel Unified School District
4380 Carmel Valley Road
Carmel, CA 93923

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carmel Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2014.

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 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.

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

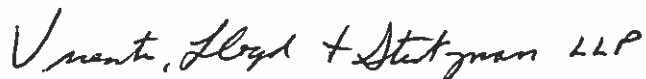
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 7, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Board of Education
Carmel Unified School District
4380 Carmel Valley Road
Carmel, CA 93923

Report on Compliance for Each Major Federal Program

We have audited Carmel Unified School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Opinion on Each Major Federal Program

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 its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

Glendora, CA

November 7, 2014

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Carmel Unified School District
4380 Carmel Valley Road
Carmel, CA 93923

We have audited the Carmel Unified School District's (the District) compliance with the types of compliance requirements described in the *2013-14 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel for the year ended June 30, 2014. The District's State compliance requirements are identified in the table below.

Management's Responsibility

Management is responsible for compliance with the State laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2013-14 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has 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 on State compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten continuance	3	Yes
Independent study	23	No ¹
Continuation education	10	No ¹
Instructional time for School Districts	10	Yes
Instructional materials general requirements	8	Yes
Ratios of administrative employees to teachers	1	Yes
Classroom teacher salaries	1	Yes
Early retirement incentive	4	Not applicable
GANN limit calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Not applicable
After School Education and Safety Program:		
General requirements	4	Not applicable
After school	5	Not applicable
Before school	6	Not applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous records of attendance	8	No ²
Mode of instruction	1	No ²
Nonclassroom-based instruction/independent study	15	No ²
Determination of funding for nonclassroom-based instruction	3	No ²
Annual instructional minutes – classroom based	4	No ²
Charge School Facility Grant Program	1	No ²

¹We did not perform testing for independent study or continuation education because ADA was under the level which requires testing.

²The District is not the granting agency for any Charter Schools.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Opinion on State Compliance

In our opinion, the Carmel Unified School District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2014.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2013-14 Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

Vicenti, Lloyd + Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 7, 2014

FINDINGS AND RECOMMENDATIONS

CARMEL UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2014

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None reported

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

Any audit findings disclosed that are required to be Reported in accordance with Circular A-133, Section .510(a) Yes X No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

CARMEL UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS
June 30, 2014

All audit findings must be identified as one or more of the following eleven categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to basic financial statements for the year ended June 30, 2014.

CARMEL UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2014

There were no findings and questioned costs related to federal awards for fiscal year ended June 30, 2014.

CARMEL UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2014

There were no findings and questioned costs related to state awards for the fiscal year ended June 30, 2014.

CARMEL UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2014

Original Finding No.	Finding	Code	Recommendation	Current Status
13-1	<p><u>STATE COMPLIANCE - ATTENDANCE</u></p> <p>Criteria: Attendance rosters are legal documents required to evidence the attendance of pupils in class. Per Title 5, California Code of Regulations Section 400 and 401 (indicated in Ed Code Section 44809 and 46000) attendance shall be kept by every teacher, and requires the teacher to sign and date the attendance roster per the District's policy.</p> <p>Condition: At Captain Cooper Elementary School, rosters were not retained for audit purpose for the entire 2012-13 academic year. Absences were reported to central office and input directly into the computer without retaining the original absence notification.</p> <p>Effect: Attendance records have little or no probative value in the context of the records that must be contemporaneous to be valid.</p> <p>Cause: Lack of following District-wide procedures.</p>	10000	<p>To comply with state regulations, District procedures must be followed as established and attendance rosters be marked daily and be signed weekly and dated by a certificated District employee who is an "eyewitness" to the pupil's presence or absence with the required timeframe. The rosters should be retained for audit. The District should take immediate action to correct their procedures for collecting and documenting attendance at this school site.</p>	Implemented

CARMEL UNIFIED SCHOOL DISTRICT

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2014**

Original Finding No.	<u>Finding</u>	<u>Code</u>	<u>Recommendation</u>	<u>Current Status</u>
13-1	<u>STATE COMPLIANCE - ATTENDANCE</u>			

(continued)

Question Costs: The records that are available via the computer reconcile to what was claimed by the District, and therefore an adjustment to attendance reports in not being proposed. The ADA reported for this school site, approximates 50 based on conductive alternate procedures, such as analytical, reviewing enrollment records and observation, there is no questioned cost or recommended revision to P-2. The Auditors are recommending that procedures be revised to assure that original source documents are retained for audit purposes.