CARMEL UNIFIED SCHOOL DISTRICT

MONTEREY COUNTY

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2015

CARMEL UNIFIED SCHOOL DISTRICT

AUDIT REPORT
June 30, 2015

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CARMEL UNIFIED SCHOOL DISTRICT

AUDIT REPORT
June 30, 2015

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VICENTI ♦ LLOYD ♦ STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

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, 2015, 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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Opinions

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 13 to the basic financial statements, in 2015 the Carmel Unified School District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability (STRP and CalPERS), schedule of District pension contributions STRP and CalPERS), and schedule of postemployment healthcare benefits 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 other governmental funds 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 other governmental funds 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015 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, California

December 8, 2015

CARMEL UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015

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, 2015. 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 2,516 students from transitional kindergarten through twelfth grade. During the 2014-15 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 School 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, 2015

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 $3,597,112 derived by reducing total assets and deferred outflows of $88,179,774, by liabilities and deferred inflows of $84,582,662. This represents a decrease of $38,878,770 in total net position over the prior year.

* The General Fund reported a positive fund balance of $16,044,507, a net decrease of $1,316,128 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 $841 thousand. This balance has increased moderately 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 2014-15 fiscal year the district contributed only the amount anticipated to fund current year retiree benefit costs.

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 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.

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, 2015

THE DISTRICT AS A WHOLE

The District's net position was approximately $3.6 million for the fiscal year ended June 30, 2015 and approximately $42.5 million for the fiscal year ended June 30, 2014. This represents an approximate decrease of $38.9 million in net position over the prior fiscal period directly as a result of a new requirement for local and state governments to record pension liabilities in the category of long-term debt. This amounted to an increase of approximately $32.4 in the district's liabilities. As a result, the net position classified as unrestricted is approximately negative $20 million. Restricted net position totaled approximately $3 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.

	2015	2014	Variance
Assets			
Cash	$ 27,529,266	$ 27,146,676	$ 382,590
Accounts receivable	555,597	925,192	(369,595)
Prepaid expenditures	8,357		8,357
Stores inventory	4,660	8,898	(4,238)
Capital assets, net	56,843,800	57,225,383	(381,583)
Total Assets	84,941,680	85,306,149	(364,469)
Deferred Outflows of Resources			
Deferred outflows of resources	2,670,304		2,670,304
Deferred charge on refunding	567,790	619,408	(51,618)
Deferred Outflows of Resources	3,238,094	619,408	2,618,686
Liabilities			
Other liabilities	2,058,586	2,088,432	(29,846)
Long-term debt outstanding	73,746,015	41,361,243	32,384,772
Total Liabilities	75,804,601	43,449,675	32,354,926
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	8,778,061	-	8,778,061
Deferred Inflows of Resources	8,778,061	-	8,778,061
Net Position			
Invested in capital assets, net of related debt	20,572,701	20,066,086	506,615
Restricted	3,050,967	2,655,071	395,896
Unrestricted	(20,026,556)	19,754,725	(39,781,281)
Total Net Position	$ 3,597,112	$ 42,475,882	$ (38,878,770)

CARMEL UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015

* Cash with the District is invested with the Monterey County Treasury. The relative stability in cash position between fiscal years 2014 and 2015 is primarily a result of the District's increases in instructional programming at a rate equal to property tax revenue increases.

* 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 $2.4 million over the prior year, as a result of completing planned projects, see note #8.

* The large increase of approximately $32 million in the liabilities category is the result of new accounting regulations from the Governmental Accounting Standards Board. The increase in "long-term debt outstanding" is a result of a new requirement that the district reflect its pension liability for employees eligible for retirement benefits through either the State Teachers Retirement or the Public Employees Retirement System.

* 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 $38.8 million from the prior year's balance. This is a result of the previously discussed effect of the new pension liability reporting.

CARMEL UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015

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:

	2015	2014	Variance
Revenues			
Program revenues:			
Charges for services	$ 431,474	$ 401,627	$ 29,847
Operating grants and contributions	4,304,749	3,010,862	1,293,887
General revenues:			
Property taxes	44,125,557	42,078,381	2,047,176
Federal and State aid not restricted to specific purposes	2,759,270	2,603,767	155,503
Interest and investment earnings	102,176	131,924	(29,748)
Other	1,454,174	1,416,401	37,773
Total Revenues	53,177,400	49,642,962	3,534,438
Expenses			
Instruction	28,063,710	25,716,064	2,347,646
Instruction - related services	5,520,136	5,267,307	252,829
Pupil services	4,556,830	4,481,056	75,774
General administration	3,665,903	3,468,359	197,544
Plant services	6,015,633	5,569,763	445,870
Community services	907,803	845,697	62,106
Other outgo	449,134	665,296	(216,162)
Debt service - interest	1,626,729	1,376,393	250,336
Depreciation (unallocated)	2,834,925	2,774,071	60,854
Total Expenses	53,640,803	50,164,006	3,476,797
Increase in net position	(463,403)	(521,044)	57,641
Net position, at beginning of year	42,475,882	42,996,926	(521,044)
Cumulative effective of change in accounting principle	(38,415,367)		(38,415,367)
Net position - beginning of year after cumulative effect	4,060,515	42,996,926	(38,936,411)
Net position, end of year	$ 3,597,112	$ 42,475,882	$ (38,878,770)

Total revenues at June 30, 2015 are approximately $3.5 million greater than in 2014. This is largely the result of increases in local property tax income and state contributions to the teacher's retirement program. Expenditures also increased approximately $3.5 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, 2015

Functions/Programs	Total Cost of Services	Net Cost of Services
Governmental activities:		
Instruction	28,063,710	$ 25,038,107
Instruction - related services	5,520,136	5,276,529
Pupil services	4,556,830	3,694,227
General administration	3,665,903	3,589,728
Plant services	6,015,633	5,768,243
Community services	907,803	862,156
Other outgo	449,134	213,936
Debt service - interest	1,626,729	1,626,729
Depreciation (unallocated)	2,834,925	2,834,925
Total governmental activities	$ 53,640,803	$ 48,904,580

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 page 73 and 74 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 57 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 2014-15 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 as well as one time state funding. 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 2014-2015 year, expenditures in those categories exceeded 82% of total expenses incurred in the general fund. Certificated and classified salaries are adjusted annually for step and column increases and savings due to attrition and retirements.

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, 2015 the District had $56,843,800 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	706,006
Depreciable assets, net	53,762,046
Total capital assets	$ 56,843,800

The total net capital assets balance decreased approximately $400 thousand over the prior year, as a result of on-going depreciation of buildings and equipment.

Debt

Note #6, #7, and #9 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	$ 36,838,889
Net Pension Liability	32,467,540
Compensated absences	312,227
Other postemployment benefits	4,127,359
Net long-term debt	$ 73,746,015

The long-term debt balance was approximately $41.3 million in prior year. The change in balance from prior to current year is primarily a result of the new requirement to reflect long term liabilities associated with employee pension programs, a reduction in general obligation bond balances, based on scheduled repayments, and the most recent actuarially determined postemployment benefit balances. 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, 2015

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

In planning the 2015-16 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 2014-15 actual levels.

2) K-12 student enrollment was expected to remain static based on the cohort survival method of projecting enrollment.

3) Certificated staffing levels were based on the continued implementation of the K-3 class size reduction program and 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:

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Carmel, CA 93922

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FINANCIAL SECTION

CARMEL UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities
Assets	
Cash in county treasury	$ 27,523,913
Cash in revolving fund	5,000
Collections awaiting deposit	353
Accounts receivable:	
Federal and State governments	314,662
Miscellaneous	240,935
Inventories	4,660
Prepaid	8,357
Land	2,375,748
Depreciable assets, net	53,762,046
Work in progress	706,006
Total Assets	84,941,680
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	2,670,304
Deferred charge on refunding	567,790
Deferred Outflows of Resources	3,238,094
Liabilities	
Accounts payable and other current liabilities	1,468,766
Accrued Interest	513,247
Unearned revenue	76,573
Current portion of long-term liabilities:	
General obligation bonds	1,410,000
Non-current portion of long-term liabilities:	
Other postemployment benefits	4,127,359
Net Pension Liability	32,467,540
Compensated absences	312,227
General obligation bonds	35,428,889
Total Liabilities	75,804,601
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	8,778,061
Deferred Inflows of Resources	8,778,061
Net Position	
Invested in capital assets, net of related debt	20,572,701
Restricted for:	
Debt service	2,208,875
Educational programs	842,092
Unrestricted	(20,026,556)
Total Net Position	$ 3,597,112

See the accompanying notes to the financial statements.

CARMEL UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 28,063,710	$ 16,534	$ 3,009,069	$ (25,038,107)
Instruction - related services	5,520,136		243,607	(5,276,529)
Pupil services	4,556,830	413,190	449,413	(3,694,227)
General administration	3,665,903		76,175	(3,589,728)
Plant services	6,015,633		247,390	(5,768,243)
Community services	907,803	1,750	43,897	(862,156)
Other outgo	449,134		235,198	(213,936)
Debt service - interest	1,626,729			(1,626,729)
Depreciation (unallocated)	2,834,925			(2,834,925)
Total Governmental Activities	$ 53,640,803	$ 431,474	$ 4,304,749	(48,904,580)

General Revenues	
Property taxes levied for	
General purposes	41,489,697
Debt service	2,635,860
Federal and State aid not restricted to specific purposes	2,759,270
Interest and investment earnings	102,176
Miscellaneous	1,454,174
Total General Revenues	48,441,177
Change in net position	(463,403)
Net Position - Beginning of Year, as originally stated	42,475,882
Cumulative effect of change in accounting principle (Note 13)	(38,415,367)
Net Position - Beginning of Year with accounting principle applied	4,060,515
Net Position - End of Year	$ 3,597,112

See the accompanying notes to the financial statements.

CARMEL UNIFIED SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Special Reserve for Capital Outlay Fund	* Other Governmental Funds	Total Governmental Funds
Assets				
Cash in county treasury	$ 17,018,033	$ 7,255,216	$ 2,409,949	$ 26,683,198
Cash in revolving fund	5,000			5,000
Collections awaiting deposit	353			353
Accounts receivable:				
Federal and state governments	314,662			314,662
Miscellaneous	200,960	10,870	28,305	240,135
Due from other funds	639			639
Inventories			4,660	4,660
Prepaid expenditures	8,357			8,357
Total Assets	$ 17,548,004	$ 7,266,086	$ 2,442,914	$ 27,257,004
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 1,426,924	$ 20,786	$ 21,056	$ 1,468,766
Due to other funds			639	639
Unearned revenue	76,573			76,573
Total Liabilities	1,503,497	20,786	21,695	1,545,978
Fund Balances				
Nonspendable	13,357		4,660	18,017
Restricted	203,416	635,000	2,212,551	3,050,967
Assigned	13,437,714	6,610,300	204,008	20,252,022
Unassigned	2,390,020			2,390,020
Total Fund Balances	16,044,507	7,245,300	2,421,219	25,711,026
Total Liabilities and Fund Balances	$ 17,548,004	$ 7,266,086	$ 2,442,914	$ 27,257,004

* See detail of individual funds on pages 73

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, 2015

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

Total fund balances – governmental funds		$ 25,711,026
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	53,762,046	
Work in progress	706,006	
Total capital assets		56,843,800
Deferred charge on refunding to be amortized over the life of the refunding debt		567,790
Deferred outflows and inflows of resources relating to pensions. In governemental funds, deferred outflows and inflows of resouces relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to penions are reported.		
Deferred outflows of resources relating to pensions	2,670,304	
Deferred inflows of resources relating to pensions	(8,778,061)	
		(6,107,757)
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	36,838,889	
Net other postemployment benefits obligation	4,127,359	
Net Pension Liability	32,467,540	
Compensated absences	312,227	
Total long-term liabilities		(73,746,015)
Interest expenses related to general obligation bonds payable was incurred but not accrued through June 30, 2015		(513,247)
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.		841,515
Total net position – governmental activities		$ 3,597,112

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, 2015

	General Fund	Special Reserve for Capital Outlay Fund	* Other Governmental Funds	Total Governmental Funds
Revenues				
LCFF Sources	$ 43,597,910	$	$	$ 43,597,910
Federal sources	637,985		258,555	896,540
Other State sources	1,868,494		180,635	2,049,129
Other local sources	1,572,407	672,418	4,186,446	6,431,271
Total Revenues	47,676,796	672,418	4,625,636	52,974,850
Expenditures				
Instruction	26,716,690		416,512	27,133,202
Instruction - related services	5,195,070		81,979	5,277,049
Pupil services	3,515,607		868,354	4,383,961
General administration	3,513,859			3,513,859
Plant services	5,659,162	2,492,436		8,151,598
Community services	14,503		861,114	875,617
Other outgo	456,334			456,334
Debt service			2,542,394	2,542,394
Total Expenditures	45,071,225	2,492,436	4,770,353	52,334,014
Excess (deficiency) of revenues over expenditures	2,605,571	(1,820,018)	(144,717)	640,836
Other Financing Sources (Uses)				
Interfund transfers in		2,775,448	446,189	3,221,637
Interfund transfers out	(3,921,699)		(33,000)	(3,954,699)
Total Other Financing Sources (Uses)	(3,921,699)	2,775,448	413,189	(733,062)
Net changes in fund balances	(1,316,128)	955,430	268,472	(92,226)
Fund Balances - Beginning of Year	17,360,635	6,289,870	2,152,747	25,803,252
Fund Balances - End of Year	$ 16,044,507	$ 7,245,300	$ 2,421,219	$ 25,711,026

* See detail of individual funds on pages 74

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, 2015

Net change in fund balances - Total government funds			$ (92,226)
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	$	2,453,342	
Depreciation expense		(2,834,925)	
Excess of capital outlay over depreciation expense			(381,583)
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		1,250,000	
Amortization of premium on general obligation bonds		81,479	
Amortization of deferred charges on refunded bonds		(51,618)	
Total long-term debt payments			1,279,861
Pensions: In government funds, pension costs are recognized when employer contributions are made, in the statement of activities pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:			(159,930)
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.			104,519
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 increase in compensated absences		(53,319)	
Net increase in accreted interest		(391,663)	
Net decrease in accrued interest		34,667	
Net increase in other postemployment benefits obligation		(803,729)	
			(1,214,044)
Change in net position of governmental activities			$ (463,403)

See the accompanying notes to the financial statements.

CARMEL UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION – PROPRIETARY FUND
June 30, 2015

	Governmental Activities: Internal Service Fund	
	Retiree Benefits Fund	
Assets		
Cash in county treasury	$	840,715
Accounts receivable		800
Total Assets	$	841,515
Net Position		
Restricted	$	841,515
Total Net Position	$	841,515

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, 2015

	Governmental Activities: Internal Service Fund
	Retiree Benefits Fund
OPERATING EXPENSES	
Employee benefits	$ 631,908
Total operating expenses	631,908
Operating loss	(631,908)
NONOPERATING REVENUES	
Interest income	3,365
OTHER FINANCING SOURCES	
Interfund transfer in	733,062
Total other financing sources	733,062
Change in net position	104,519
Net position at beginning of year	736,996
Net position at end of year	$ 841,515

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, 2015

	Governmental Activities: Internal Service Fund Retiree Benefits Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash paid for retiree benefit insurance	$ (631,908)
Net cash used by operating activities	(631,908)
CASH FLOWS FROM FINANCING ACTIVITIES	
Transfer from General Fund	733,062
Interest income	2,865
Net cash provided by financing activities	735,927
Net increase in cash and cash equivalents	104,019
Cash and cash equivalents - Beginning	736,696
Cash and cash equivalents - Ending	$ 840,715

RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY

OPERATING ACTIVITIES:	
Operating (loss)	$ (631,908)
NET CASH USED BY OPERATING ACTIVITIES	$ (631,908)

Cash balances at June 30, 2015 consisted of the following:

Cash in county treasury	$ 840,715
Total cash balances at June 30, 2015	$ 840,715

See the accompanying notes to the financial statements.

CARMEL UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2015

	Foundation Private Purpose Trust Fund		Associated Student Body Funds	
Assets				
Cash in county treasury	$	100,644	$	
Cash on hand and in banks				123,077
Accounts receivable		100		
Stores inventory				21,332
Equipment				5,174
Total Assets		100,744	$	149,583
Liabilities				
Due to student groups			$	149,583
Total Liabilities		-	$	149,583
Net Position				
Restricted		100,744		
Total Net Position	$	100,744		

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, 2015

	Foundation Private Purposes Trust Fund
Additions	
Revenue from local sources	$ 457
Total Additions	457
Deductions	
Other Outgo	600
Total Deductions	600
Changes in net position	(143)
Net Position - Beginning of Year	100,887
Net Position - End of Year	$ 100,744

See the accompanying notes to the financial statements.

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.

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.

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.

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 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.

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. This fund is not operating as a Proprietary Fund and reclassification will be considered in the subsequent year.

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.

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

B. FUND ACCOUNTING: (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.

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, 2015, the inventory in the Cafeteria Fund for food is $4,660.

4. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2015, 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.

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:

Description	Estimated Lives
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 Outflows of Resources

Deferred outflows 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. These amounts are reported in the government-wide statement of net position.

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.

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

C. BASIS OF ACCOUNTING: (continued)

6. Deferred Outflows of Resources (continued)

Deferred outflows – pension contributions: The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans. The deferred outflows – pension contributions will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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.

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

C. BASIS OF ACCOUNTING: (continued)

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.

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 Pension Liability

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

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

C. BASIS OF ACCOUNTING: (continued)

11. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources – pension costs, results from the difference between the estimated and actual return on pension plan investments and the change in the District's proportionate share of pension contributions. These amounts are deferred and amortized to pension expense over closed periods ranging from 3.9 to 5 years.

12. Net Position

Net position represents the difference between assets, deferred outflows/inflows of resources, 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 their use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

13. 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.

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

C. BASIS OF ACCOUNTING: (continued)

13. 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.

14. 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.

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

C. BASIS OF ACCOUNTING: (continued)

15. 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 established and maintains 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 local control funding formula sources.

16. 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 local control funding formula and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.

17. 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.

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

C. BASIS OF ACCOUNTING: (continued)

18. 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' Retirement System on behalf of all school districts in California. The amount of on-behalf payments made for the District has been recorded in the fund financial statements.

19. 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.

20. 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*.

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

C. BASIS OF ACCOUNTING: (continued)

21. 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.

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.

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

D. REPORTING ENTITY: (continued)

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:

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.

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, 2015, none of the District’s bank balance of $130,447 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 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. Interest earned is deposited quarterly.

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, 2015 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	$ 639	$
Non-Major Funds:		
Cafeteria		639
Totals	$ 639	$ 639

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 2014-15 fiscal year are as follows:

Transfer from the General Fund to Child Development Fund for Board approved supplement to employees' children's tuition	$ 244,693
Transfer from the General Fund to Child Development to cover the operational shortfall	201,496
Net transfer from the General Fund to the Special Reserve for Capital Outlay Projects Fund for Board approved capital projects	2,742,448
Transfer from Child Development Fund to Special Reserve for Capital Outlay Projects Fund to fund Board approved projects	33,000
Transfer from the General Fund to the Retiree Benefits Fund to fund the District's contribution for retiree health benefits	733,062
Total	$ 3,954,699

NOTE 5 - FUND BALANCES:

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

	General Fund	Special Reserve for Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Revolving cash	$ 5,000	$	$	$ 5,000
Prepaid expenditures	8,357			8,357
Inventory			4,660	4,660
Total Nonspendable	13,357	-	4,660	18,017
Restricted				
Legally restricted programs	203,416	635,000	3,676	842,092
Debt service			2,208,875	2,208,875
Total Restricted	203,416	635,000	2,212,551	3,050,967
Assigned				
Capital projects	710,287	5,936,085	204,008	6,850,380
Technology		242,777		242,777
Basic aid reserve	9,240,781			9,240,781
Routine restricted maintenance	472,279			472,279
School safety	37,859	281,438		319,297
Other board assisgnments	2,976,508			2,976,508
Bus replacement		150,000		150,000
Total Assigned	13,437,714	6,610,300	204,008	20,252,022
Unassigned				
Economic uncertainties	2,390,020			2,390,020
Total Unassigned	2,390,020	-	-	2,390,020
Total fund balances	$ 16,044,507	$ 7,245,300	$ 2,421,219	$ 25,711,026

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.

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, 2014	New Issuance	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2015
2002	Feb-02	8/1/2026	3.50-6.00%	$ 9,663,455	$ 2,111,007	$	$ 120,195	$	$ 2,231,202
2006	Aug-06	8/1/2030	4.00-5.00%	10,750,744	10,559,662		136,075	275,000	10,420,737
2008	Aug-08	8/1/2033	4.00-5.00%	10,749,246	11,070,287		135,393	135,000	11,070,680
Refunding	Aug-10	8/1/2025	2.00-5.00%	15,140,000	13,060,000			840,000	12,220,000
		Total		$ 46,303,445	$ 36,800,956	$ -	$ 391,663	$ 1,250,000	$ 35,942,619

The annual requirements to amortize Series 2002 bonds payable, outstanding as of June 30, 2015, 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	$ -	$ 1,098,455	$ 2,811,545	$ 3,910,000

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 accreting 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 $1,132,747, totaling $2,231,202 has been reflected in the long-term debt balance.

NOTE 6 – GENERAL OBLIGATION BONDS: (continued)

The annual requirements to amortize Series 2006 bonds payable, outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Current Interest Bond Principal	Capital Appreciation Bond Principal	Accreted Interest Component	Current Interest Component	Total
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	595,000			266,561	861,561
2021-2025	4,330,000			844,114	5,174,114
2026-2030	1,200,000	1,336,174	2,838,826	30,000	5,405,000
2031		314,570	995,430		1,310,000
Total	$ 7,805,000	$ 1,650,744	$ 3,834,256	$ 2,421,925	$ 15,711,925

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 accreting 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 $964,993, totaling $2,615,737 has been reflected in the long-term debt balance.

The annual requirements to amortize Series 2008 bonds payable, outstanding as of June 30, 2015 are as follows:

Year Ending June 30,	Current Interest Bond Principal	Capital Appreciation Bond Principal	Accreted Interest Component	Current Interest Component	Total
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	290,000			380,019	670,019
2021-2025	2,105,000			1,689,643	3,794,643
2026-2030	3,465,000	341,884	743,117	1,048,819	5,598,820
2031-2034	2,070,000	1,222,363	4,157,637	362,250	7,812,250
Total	$ 8,755,000	$ 1,564,247	$ 4,900,754	$ 5,084,382	$ 20,304,383

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 accreting 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 $751,433, totaling $2,315,680 has been reflected in the long-term debt balance.

The annual requirements to amortize 2010 refunding bonds payable, outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,275,000	295,725	1,570,725
2021-2025	5,905,000	693,931	6,598,931
2026	845,000	17,956	862,956
Total	$ 12,220,000	$ 2,662,562	$ 14,882,562
Unamortized bond premium*	896,270		
	$ 13,116,270		

*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 2014-15 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 2014-15 year.

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

A schedule of changes in long-term debt for the year ended June 30, 2015 is shown below.

	* Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General Obligation Bonds:					
Series 2002 - capital appreciation and accreted interest	$ 2,111,007	$ 120,195	$	$ 2,231,202	$
Series 2006 - current interest	8,080,000		275,000	7,805,000	325,000
Series 2006 - capital appreciation and accreted interest	2,479,662	136,075		2,615,737	
Series 2008 - current interest	8,890,000		135,000	8,755,000	165,000
Series 2008 - capital appreciation and accreted interest	2,180,287	135,393		2,315,680	
2010 refunding bonds	13,060,000		840,000	12,220,000	920,000
2010 refunding bonds premium	977,749		81,479	896,270	
Total General Obligation Bonds	37,778,705	391,663	1,331,479	36,838,889	1,410,000
Compensated absences	258,908	53,319		312,227	
Net Pension Liability	40,785,776		8,318,236	32,467,540	
Other postemployment benefits	3,323,630	803,729		4,127,359	
Total	$ 82,147,019	$ 1,248,711	$ 9,649,715	$ 73,746,015	$ 1,410,000

*The prior year amounts have been adjusted due to implementation of GASB No. 68 and No. 71. See note 13.

Liabilities are liquidated by the General Fund for governmental activities, including capital leases, compensated absences, net OPEB obligation, and net pension liability. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.

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

Capital asset activity for the year ended June 30, 2015 is shown below:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
Capital Assets Not Depreciated:				
Land	$ 2,375,748	$	$	$ 2,375,748
Work in progress	1,776,188	2,262,590	3,332,772	706,006
Total of capital assets not depreciated	4,151,936	2,262,590	3,332,772	3,081,754
Capital Assets Depreciated:				
Buildings and improvements	81,758,050	3,473,358		85,231,408
Equipment	3,656,425	50,166		3,706,591
Total of capital assets depreciated	85,414,475	3,523,524	-	88,937,999
Less accumulated depreciation for:				
Buildings and improvements	29,710,116	2,614,020		32,324,136
Equipment	2,630,912	220,905		2,851,817
Total accumulated depreciation	32,341,028	2,834,925	-	35,175,953
Governmental activities capital assets, net	$ 57,225,383	$ 2,951,189	$ 3,332,772	$ 56,843,800

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 California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

As of June 30, 2015, the District implemented GASB Statements No. 68 and No. 71, and as a result, reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources, and a deferred outflow of resources for each of the retirement plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS (STRP)	$ 24,543,540	$ 1,765,866	$ 6,043,800	$ 2,118,900
CalPERS (Schools Pool Plan)	7,924,000	904,438	2,734,261	704,282
Totals	$ 32,467,540	$ 2,670,304	$ 8,778,061	$ 2,823,182

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefit Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program and the Defined Benefit Supplement Program, thus disclosures are not included for the other plans.

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

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

Benefits Provided (continued)

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program and Supplement Program	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2015 are presented above and the total District contributions were $1,765,866.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District proportionate share of net pension liability	$	24,543,540
State's proportionate share of the net pension liability associated with the District		14,820,598
Total	$	39,364,138

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

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

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

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2014, the District's proportion was 0.0420%.

For the year ended June 30, 2015, the District recognized pension expense of $2,118,900 and revenue of $1,279,496 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,765,866	$
Net differences between projected and actual earnings on plan investments		6,043,800
Total	$ 1,765,866	$ 6,043,800

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflows of resources will be amortized over a closed 5-year period, beginning in the current fiscal year, and will be recognized to pension expense as follows:

Year Ended June 30	Amortization
2016	$ 1,510,950
2017	1,510,950
2018	1,510,950
2019	1,510,950
	$ 6,043,800

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

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

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

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

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

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

Actuarial Methods and Assumptions (continued)

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

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

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.60%)	$ 38,256,960
Current discount rate (7.60%)	24,543,540
1% increase	13,109,040

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

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

Plan Fiduciary Net Position

Detailed information about CalSTRS plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan 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.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

Benefits Provided (continued)

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a precentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	6.974%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015 are presented above and the total District contributions were $904,438.

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $7,924,000. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0698%.

For the year ended June 30, 2015, the District recognized pension expense of $704,282. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 904,438	$
Changes in contribution proportion		11,486
Net differences between projected and actual earnings on plan investments		2,722,775
Total	$ 904,438	$ 2,734,261

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

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

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over closed periods ranging from 3.9 to 5 years and will be recognized in pension expense as follows:

Year Ended June 30	Amortization
2016	$ 684,655
2017	684,655
2018	684,258
2019	680,693
	$ 2,734,261

Actuarial Methods and Assumptions

Total pension liability for the School Employer Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

California Public Employees Retirement System (CalPERS) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.50%)	$ 13,900,504
Current discount rate (7.50%)	7,924,000
1% increase (8.50%)	2,930,028

Plan Fiduciary Net Position

Detailed information about CalPERS School Employer plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

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 66^{th} 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 2015, the District contributed $733,062 to the plan and total member contributions were $368,622.

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.

NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

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	132,945
Adjustment to annual required contribution	(192,206)
Annual OPEB cost (expense)	1,598,668
Contributions made	(794,939)
Change in net OPEB obligation	803,729
Net OPEB obligation - Beginning of Year	3,323,630
Net OPEB obligation - End of Year	$ 4,127,359

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	56.0%	$ 3,323,630
6/30/2015	$ 1,598,668	49.7%	$ 4,127,359

Funding Status and Funding Progress

As of July 1, 2015, 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 $11,967,518. The covered payroll (annual payroll of active employees covered by the plan) was $22,063,780, and the ratio of the UAAL to the covered payroll was 54.2%.

NOTE 10 – POSTEMPLOYMENT HEALTHCARE BENEFITS: (continued)

Funding Status and Funding Progress (continued)

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.

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 (MSBCLPJPA), the Monterey County Schools Insurance Group (MCSIG) and the Monterey County Schools Workers' Compensation Joint Powers Authority (MCSWCJPA) 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 MSBCLPJPA, MCSWCJPA and MCSIG.

During the year ended June 30, 2015, the District made payments of $196,750 to MSBCLPJPA for liability and property insurance, $533,931 to MCSWCJPA for workers' compensation insurance and $6,476,735 to MCSIG representing payment of premiums for health related coverage.

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

The most current condensed financial information available is as follows:

	MSBCLPJPA (Audited) June 30, 2014	MCSWCJPA (Audited) June 30, 2013	MCSIG (Audited) June 30, 2014
Total Assets	$ 2,095,816	$ 38,694,719	$ 18,166,172
Total Liabilities	1,986,249	34,254,233	8,692,502
Fund Balance	$ 109,567	$ 4,440,486	$ 9,473,670
Total Revenues	$ 3,688,409	$ 7,777,044	$ 53,603,728
Total Expenditures	3,822,789	9,805,855	46,688,983
Net (Decrease) Increases in Fund Balance	$ (134,380)	$ (2,028,811)	$ 6,914,745

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, 2015, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $130,000. Projects will be funded through County School Facilities Fund grants, Capital Facilities Funds and General Funds.

NOTE 12 - COMMITMENTS AND CONTINGENCIES: (continued)

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.

NOTE 13 – CUMULATIVE EFFECT OF ACCOUNTING CHANGES AND RESTATEMENT TO BEGINNING NET POSITION AND NEGATIVE UNRESTRICTED NET POSITION:

As a result of implementing GASB statements No. 68 and No. 71, the beginning net position of the basic financial statements has been restated by ($38,415,367) to recognize the beginning balance of ($40,785,776) in net pension liability and $2,370,409 in deferred outflows of resources. The beginning net position was not restated for the effect of deferred inflows as the amount was not practical to determine.

The Effect of this implementation has resulted in a negative unrestricted net position balance at June 30, 2015. The retirement plan administrators of CalSTRS and CalPERS will require increases in contribution amounts to reduce the net pension liability in future years. The District has budgeted for increased contributions in the 2016 year.

NOTE 14 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE:

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2015, 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.

Statement No. 72 – ***Fair Value Measurement and Application***

This statement was issued in February 2015 and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements by establishing a hierarchy of inputs to valuation techniques used to measure fair value. The statement is effective for the fiscal year 2015-16.

NOTE 14 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE: (continued)

Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

This statement was issued in June 2015 and extends the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. The object is to provide information about financial support provided by certain non-employer entities for pensions that are provided to the employees of other entities and that are not within the scope of Statement No. 68 and to provide information about the effects of pension-related transactions and other events on the elements of the basic financial statements of state and local governmental employers. The statement is effective for the fiscal year 2015-16 except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the fiscal year 2016-17.

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

This statement was issued in June 2015 and establishes standards of financial reporting for defined benefit OPEB plans and defined contribution OPEB plans. This statement is closely related in some areas to Statement No. 75. The statement is effective for the fiscal year 2016-17.

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

This statement was issued in June 2015 and establishes standards for governmental employer recognition, measurement, and presentation of information about OPEB. The statement also establishes requirements for reporting information about financial support provided by certain non-employer entities for OPEB that is provided to the employees of other entities. This statement is closely related in some areas to Statement No. 74. The statement is effective for the fiscal year 2017-18.

NOTE 14 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE: (continued)

Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

This statement was issued in June 2015 and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement is effective for the fiscal year 2015-16.

Statement No. 77 – *Tax Abatement Disclosures*

This statement was issued in August 2015 and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The statement is effective for the fiscal year 2016-17.

REQUIRED SUPPLEMENTARY INFORMATION

CARMEL UNIFIED SCHOOL DISTRICT

SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts - General Fund		(b) Actual Amounts	(a) Fund Basis to GAAP	Actual Amounts
	Original	Final	General Fund		GAAP Basis
Revenues					
LCFF sources	$ 42,090,364	$ 43,424,128	$ 43,597,910	$	$ 43,597,910
Federal sources	582,027	685,353	637,985		637,985
Other State sources	516,373	1,780,609	1,860,812	7,682	1,868,494
Other local sources	1,185,256	1,453,114	1,501,605	70,802	1,572,407
Total Revenues	44,374,020	47,343,204	47,598,312	78,484	47,676,796
Certificated salaries	18,148,215	19,413,561	20,037,034	80,838	20,117,872
Classified salaries	6,921,505	7,645,586	7,889,190	38,385	7,927,575
Employee benefits	7,944,083	9,603,005	9,269,221	44,223	9,313,444
Books and supplies	2,705,874	2,897,317	2,338,843	3,458	2,342,301
Services and other operating expenses	3,971,860	4,484,117	4,027,252	19,850	4,047,102
Capital outlay	4,468,486	95,660	76,838	789,759	866,597
Other outgo	290,000	412,030	449,134		449,134
Debt service		7,200	7,200		7,200
Total Expenditures	44,450,023	44,558,476	44,094,712	976,513	45,071,225
Net change in fund balance	(76,003)	2,784,728	3,503,600	(898,029)	2,605,571
Other Financing Sources (Uses)					
Interfund transfers out	(1,280,358)	(9,856,827)	(4,666,859)		(4,666,859)
Interfund transfers in				745,160	745,160
Total Other Financing Sources (Uses)	(1,280,358)	(9,856,827)	(4,666,859)	745,160	(3,921,699)
Net change in fund balance	$ (1,356,361)	$ (7,072,098)	(1,163,259)	(152,869)	(1,316,128)
Fund Balance - Beginning of Year			16,491,991	868,644	17,360,635
Fund Balance - End of Year			$ 15,328,732	$ 715,775	$ 16,044,507

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

(b) On behalf of CalSTRS payments of $1,021,166 are included in the final budget and actual revenue and expenditures amounts.

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, 2015

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%
7/1/2015	-	11,967,518	11,967,518	0.0%	22,063,780	54.2%

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, 2015, the fund's restricted net position was $841,515.

See the accompanying notes to the required supplementary information.

CARMEL UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN
For the Fiscal Year Ended June 30, 2015

	2015
District's proportion of the net pension liability (assets)	0.0420%
District's proportionate share of the net pension liability (asset)	$ 24,543,540
State's proportionate share of the net pension liability (asset) associated with the District	14,820,598
Total	$ 39,364,138
District's covered-employee payroll reported as of the previous fiscal year to align with the measurement date at the net pension liability	$ 19,500,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	125.86%
Plan fiduciary net position as a percentage of the total pension liability	77.00%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

CARMEL UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT PLAN SCHOOLS POOL PLAN For the Fiscal year Ended June 30, 2015

	2015
District's proportion of the net pension liability (assets)	0.0698%
District's proportionate share of the net pension liability (asset)	$ 7,924,000
District's covered-employee payroll reported as of the previous fiscal year to align with the measurement date at the net pension liability	$ 7,300,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	108.55%
Plan fiduciary net position as a percentage of the total pension liability	83.37%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

CARMEL UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS' RETIREMENT PLAN
For the Fiscal Year Ended June 30, 2015

	2015
Contractually required contribution	$ 1,765,866
Contributions in relation to the contractually required contribution	1,765,866
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 19,880,000
Contributions as a percentage of covered-employee payroll	8.88%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

CARMEL UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT PLAN
SCHOOLS POOL PLAN
For the Fiscal Year Ended June 3, 2015

	2015
Contractually required contribution	$ 904,438
Contributions in relation to the contractually required contribution	904,438
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 7,700,000
Contributions as a percentage of covered-employee payroll	11.77%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

CARMEL UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Budgetary Comparison for the General Fund

A budgetary comparison is 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.

C. Schedules of District's Proportionate Share of the Net Pension Liability – STRP and PERS Schools Pool Plan

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

D. Schedules of District Contributions – STRP and PERS Schools Pool Plan

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Excess of expenditures over appropriations occurred in the General Fund for the following major object:

Certified salaries	$ 623,473
Classified salaries	$ 243,604
Other outgo	$ 37,104

Majority of the excess was budgeted in the employee benefits object.

SUPPLEMENTARY INFORMATION

CARMEL UNIFIED SCHOOL DISTRICT

HISTORY AND ORGANIZATION
June 30, 2015

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, 2015 were as follows:

BOARD OF EDUCATION

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

DISTRICT ADMINISTRATORS

Marvin Biasotti	Superintendent
Rick Blanckmeister	Chief Business Official
Edmund Gross	Chief Academic Officer
Paul Behan	Chief Technology Officer
Karen Hendricks	Chief Human Resource Officer
Heath Rocha	Chief Student Services Officer

CARMEL UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
For the Fiscal Year Ended June 30, 2015

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, 2015 are as follows:

	Second Period	Annual
Grades kindergarten through third		
Regular ADA	679.80	681.83
Total grades kindergarten through third ADA	679.80	681.83
Grades four through six		
Regular ADA	508.63	509.87
Total grades four through six ADA	508.63	509.87
Grades seven through eight		
Regular ADA	388.41	388.43
Total grades seven through eight ADA	388.41	388.43
Grades nine through twelve		
Regular ADA	809.09	804.19
Total grades nine through twelve ADA	809.09	804.19
Total ADA	2,385.93	2,384.32

See the accompanying notes to the supplementary information.

CARMEL UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2015

	2014-15 Minutes				
Grade Level	Normal Requirement	Reduced Requirement	Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	45,680	180	In Compliance
Grade 1	50,400	49,000	55,200	180	In Compliance
Grade 2	50,400	49,000	55,200	180	In Compliance
Grade 3	50,400	49,000	55,200	180	In Compliance
Grade 4	54,000	52,500	55,200	180	In Compliance
Grade 5	54,000	52,500	55,200	180	In Compliance
Grade 6	54,000	52,500	65,679	180	In Compliance
Grade 7	54,000	52,500	65,679	180	In Compliance
Grade 8	54,000	52,500	65,679	180	In Compliance
Grade 9	64,800	63,000	64,780	180	In Compliance
Grade 10	64,800	63,000	64,780	180	In Compliance
Grade 11	64,800	63,000	64,780	180	In Compliance
Grade 12	64,800	63,000	64,780	180	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, 2015

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	$ 167,894
Especially Needy Breakfast Program	10.553	13390	63,457
Meal Supplements	10.553	(1)	4,908
Forest Reserve Funds	10.665	10044	2,169
Total U.S. Department of Agriculture			238,428
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	308,162
No Child Left Behind:			
Title I - Basic Grants	84.010	14329	239,459
Title II - Improving Teacher Quality	84.367	14341	53,014
Vocational Programs	84.048	14894	7,495
Total U.S. Department of Education			608,130
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	22,297
Medi-cal Billing Option	93.778	10060	27,685
			49,982
Total U.S. Department of Health and Human Services			
Total Federal Programs			$ 896,540

The District was granted $28,687 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) 2016		2015		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
Revenue								
LCFF/Revenue Limit Sources	$ 46,737,342	95.1	$ 43,597,910	89.4	$ 41,576,042	81.8	$ 38,128,418	86.3
Federal	612,002	1.2	637,985	1.3	529,253	1.0	549,657	1.2
State	494,119	1.0	1,860,812	3.8	1,316,383	2.6	2,609,506	5.9
Other Local	1,313,963	2.7	1,501,605	3.1	1,720,277	3.4	1,591,454	3.6
` Interfund Transfers In		-		-		-		-
Total Revenue	49,157,426	100.0	47,598,312	97.6	45,141,955	88.8	42,879,035	97.0
Expenditures								
Certificated Salaries	20,500,433	41.7	20,037,034	41.1	18,951,527	37.3	17,981,916	40.7
Classified Salaries	7,923,463	16.1	7,889,190	16.2	7,680,672	15.1	7,352,597	16.7
Employee Benefits	9,433,346	19.2	9,269,221	19.0	8,060,288	15.9	7,764,081	17.6
Books and Supplies	2,815,346	5.8	2,338,843	4.8	2,372,121	4.7	2,158,988	4.9
Services and Other Operating Expenses	4,754,112	9.7	4,027,252	8.3	4,229,837	8.3	3,553,797	8.0
Capital Outlay	162,332	0.3	76,838	0.2	298,991	0.6	3,668,709	8.3
Other Outgo	400,000	0.8	449,134	0.9	364,052	0.7	389,367	0.9
Debt Service	7,200	-	7,200	-	7,200	-	7,200	-
Interfund Transfers Out	3,161,194	6.4	4,666,859	9.6	8,842,674	17.4	1,280,095	2.9
Total Expenditures	49,157,426	100.0	48,761,571	100.1	50,807,362	100.0	44,156,750	100.0
Change in Fund Balance	$ -	-	$ (1,163,259)	(2.5)	$ (5,665,407)	(11.2)	$ (1,277,715)	(3.0)
Ending Fund Balance	$ 15,328,732	31.2	$ 15,328,732	31.4	$ 16,491,991	32.5	$ 22,157,398	50.2
Available Reserve	$ 2,457,871	5.0	$ 2,390,020	4.9	$ 5,990,567	11.8	$ 2,207,837	5.0
Recommended Reserve Percentage		3.0		3.0		3.0		3.0
Average Daily Attendance	2,391		2,386		2,370		2,244	
Total Long-Term Debt	$ 40,201,577		$ 41,278,475		$ 41,361,243		$ 41,500,452	

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.

On behalf of CalSTRS payments of $1,021,166 are included in the final budget and actual revenue and expenditures amounts.

Long-term debt is reported for the District as a whole and includes debt related to all funds, excluding the net pension liability.

2016 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, 2015

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, 2015

There were no differences between the fund balances reported on the June 30, 2015 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, 2015

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 *2014-15 Guide for Annual Audits of 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 *2014-15 Guide for Annual Audits of 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.

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, 2015

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Other Governmental Funds
Assets					
Cash in county treasury	$ 159,426	$ (2,674)	$ 44,322	$ 2,208,875	$ 2,409,949
Collections awaiting deposit					-
Accounts receivable					
Federal and state governments					-
Miscellaneous	536	27,496	273		28,305
Inventories		4,660			4,660
Total Assets	$ 159,962	$ 29,482	$ 44,595	$ 2,208,875	$ 2,442,914
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 474	$ 20,582	$	$	$ 21,056
Due to other funds		639			639
Total Liabilities	474	21,221	-	-	21,695
Fund Balances					
Nonspendable		4,660			4,660
Restricted	75	3,601		2,208,875	2,212,551
Assigned	159,413		44,595		204,008
Total Fund Balances	159,488	8,261	44,595	2,208,875	2,421,219
Total Liabilities and Fund Balances	$ 159,962	$ 29,482	$ 44,595	$ 2,208,875	$ 2,442,914

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, 2015

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Other Governmental Funds
Revenues					
Federal sources	$ 22,297	$ 236,258	$	$	$ 258,555
Other state sources	157,491	16,773		6,371	180,635
Other local sources	1,094,510	413,190	44,595	2,634,151	4,186,446
Total Revenues	1,274,298	666,221	44,595	2,640,522	4,625,636
Expenditures					
Instruction	416,512				416,512
Instruction - related services	81,979				81,979
Pupil services		868,354			868,354
Plant services					-
Community services	861,114				861,114
Debt service				2,542,394	2,542,394
Total Expenditures	1,359,605	868,354	-	2,542,394	4,770,353
Excess (deficiency) of revenues over expenditures	(85,307)	(202,133)	44,595	98,128	(144,717)
Other Financing Sources					
Interfund transfers out	(33,000)				(33,000)
Interfund transfers in	244,693	201,496			446,189
Total Other Financing Sources	211,693	201,496	-	-	413,189
Net changes in fund balances	126,386	(637)	44,595	98,128	268,472
Fund Balance - Beginning of Year	33,102	8,898		2,110,747	2,152,747
Fund Balance - End of Year	$ 159,488	$ 8,261	$ 44,595	$ 2,208,875	$ 2,421,219

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, 2015

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

VICENTI ◆ LLOYD ◆ STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2015.

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.

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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

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 8, 2015

VICENTI • LLOYD • STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

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, 2015. 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.

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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, 2015.

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, California
December 8, 2015

VICENTI ♦ LLOYD ♦ STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

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's) compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2015. 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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.

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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:

Description	Procedures Performed
Attendance reporting	Yes
Teacher certification and misassignments	Yes
Kindergarten continuance	Yes
Independent study	No[1]
Continuation education	Yes
Instructional time	Yes
Instructional materials	Yes
Ratio of administrative employees to teachers	Yes
Classroom teacher salaries	Yes
Early retirement incentive	Not applicable
GANN limit calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not applicable
Middle or early college high schools	Not applicable
K-3 grade span adjustment	Yes
Transportation maintenance of effort	Yes
Regional Occupational Centers or Programs maintenance of effort	Yes
Adult Education maintenance of effort	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not applicable
Proper expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	No[2]
Mode of instruction	No[2]
Nonclassroom-based instruction/independent study	No[2]
Determination of funding for nonclassroom-based instruction	No[2]
Annual instructional minutes – classroom based	No[2]
Charter School Facility Grant Program	No[2]

[1]We did not perform testing for independent study or continuation education because ADA was under the level which requires testing.
[2]The 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, 2015.

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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* 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, California
December 8, 2015

FINDINGS AND RECOMMENDATIONS

CARMEL UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2015

Financial Statements

Type of auditor's report issued:	*Unmodified*
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes _X_ No
Significant deficiency(ies) identified not considered to be material weaknesses?	___ Yes _X_ None reported
Noncompliance material to financial statements noted?	___ Yes _X_ No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	___ Yes _X_ No
Significant deficiency(ies) identified not considered to be material weaknesses?	___ Yes _X_ 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

CFDA Number	Name of Federal Program or Cluster
84.010	Title I: Basic Grants

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,
FEDERAL AWARDS, AND STATE AWARDS
June 30, 2015

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

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

There were no findings and questioned costs related to basic financial statements, federal awards or state awards for the year ended June 30, 2015.

CARMEL UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2015

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