LODI UNIFIED SCHOOL DISTRICT

COUNTY OF SAN JOAQUIN
LODI, CALIFORNIA

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2015

LODI UNIFIED SCHOOL DISTRICT

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LODI UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Lodi Unified School District
Lodi, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lodi 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 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; 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 the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the 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 Principles

As discussed in Note 1R to the financial statements, in 2015 the District adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of 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 and the Required Supplementary Information section, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information section, as listed in the Table of Contents, is presented for purposes of additional analysis and as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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, and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 6, 2015

This section of the Lodi Unified School District's annual financial report presents our discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflow of resources exceeded the liabilities and deferred inflow of resources of the District at June 30, 2015 by $152 million (net position).

- Net position decreased by $231 million over the previous fiscal year: $5 million decrease due to operating activities and $226 million decrease for the cumulative effect of change in accounting principles for the implementation of Government Accounting Standards Board Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71 (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (collectively, the Statements). The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It requires employers to report a net pension liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

- The net pension liability as of June 30, 2015 was $191 million as a result of the implementation of the Statements.

- As of June 30, 2015, the District's governmental funds reported combined ending fund balances of $83 million, a decrease of $12 million in comparison with prior year. Of this total amount:

  - $32 million (39 percent) reflects the General Fund ending balance,

  - $18 million (21 percent) represents the ending balances of capital project funds, and

  - $33 million (40 percent) comprises the ending balances of special revenue and debt service funds.

- The unrestricted portion of ending balance for the General Fund is $25 million at June 30, 2015, of which $1 million is nonspendable, and $10 million is assigned to instruction and other commitments. The remaining balance of $14 million is unassigned and is part of the required reserve for economic uncertainties including additional reserves due to deficit spending and for K-3 grade span adjustment protection.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three separate parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives: government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.

- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.

    - Basic services funding (i.e., regular and special education) is described in the governmental funds statements. These statements include short-term financing and balances remaining for future one-time spending.

    - Short and long-term financial information about the activities of the District that operate like businesses (such as self-insurance funds) are provided in the proprietary funds statements.

    - Financial relationships, for which the District acts solely as an agent or trustee, for the benefit of others to whom the resources belong, are presented in the fiduciary fund statements.

- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements.

- The required supplementary information section provides further explanations and additional support for the financial statements. A comparison of the District's budget for the year is included. Budgetary comparisons of the General Fund and the Cafeteria Fund (a major special revenue fund) are included in this section.

Government-wide Statements

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets, liabilities and deferred outflow and inflow of resources are included in the statement of net position. The statement of activities reports all of the current year's revenues and expenses regardless of when cash is received or paid. The District net position can be measured by adding the District's assets and deferred outflow of resources and subtracting the liabilities and deferred inflow of resources.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.

- Additional non-financial factors such as condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

In the government-wide financial statements, the District activities are categorized as governmental activities. The governmental activities are the basic services provided by the District, such as regular and special education, administration, and transportation, and are included here. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

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

- Some funds are required by bond covenants and by state law.
- Other funds are established by the District to control and manage money for particular purposes (such as repaying its long-term debts). These funds may also show proper usage of certain revenues (such as grants from federal and state sources).

The District has three kinds of funds:

- **Governmental funds**: Most of the District's basic services are included in governmental funds, which generally focus on:

  1. How cash and other financial assets can readily be converted to cash flow (in and out).
  2. The ending balances available for one-time spending.

  The governmental fund statements provides a detailed short-term view of the District's financial position and whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided as a separate reconciliation to the governmental fund statements that explains the differences (or relationships) between them.

- **Proprietary funds**: Services for which the District charges a fee are generally reported in a proprietary fund. A type of proprietary fund is the internal service fund which reports activities that provide services for the other programs and activities of the District. Proprietary funds are reported in the same way as the government-wide statements.

  The District maintains two internal service funds for self-insurance. One of the Self-Insurance Fund reports the activities for workers' compensation, self-insured retention portion of property and liability, and vision and dental benefits. The other Self-Insurance Fund – OPEB reports the activities related to retiree benefits.

- **Fiduciary funds**: For assets that belong to others, such as the associated student body funds and the payroll tax account, the District acts as the trustee, or fiduciary. The District has the responsibility for ensuring that assets are used for their intended purpose; and also that they are used by those to whom the assets belong. These assets are excluded from the government-wide financial statements because the funds cannot be used by the District to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS WHOLE

Table 1 summarizes the District's net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by $152 million at June 30, 2015. The unrestricted net position was negative $155 million due to recognizing net pension liability of $191 million as result of implementing the Statements. Net investment in capital assets (e.g., land, building and equipment) was $266 million of the net position. The District uses these assets to provide educational services; therefore, they are not available for future spending. Although the District's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. And lastly, resources subject to external restrictions accounted for $41 million of net position.

Table 1
Net Position

	2014	2015	Percent Change
Current and Other Assets	$ 179,274,732	$ 191,125,014	6.61%
Capital Assets	436,646,745	431,161,373	-1.26%
Total Assets	615,921,477	622,286,387	1.03%
Deferred outflow of resources related to pension	-	16,179,386	100.00%
Deferred amount on debt refunding	1,508,009	1,525,728	1.17%
Total Deferred Outflow of Resources	1,508,009	17,705,114	1074.07%
Long-Term Liabilities Outstanding	215,699,354	403,132,750	86.90%
Other Liabilities	18,742,224	33,399,188	78.20%
Total Liabilities	234,441,578	436,531,938	86.20%
Deferred inflow of resources related to pensions	-	51,234,162	100.00%
Net Position:			
Net Investment in Capital Assets	264,339,184	266,336,867	0.76%
Restricted	46,936,487	41,109,365	-12.41%
Unrestricted	71,712,237	(155,220,831)	-316.45%
Total Net Position	$ 382,987,908	$ 152,225,401	-60.25%

Table 2 shows the changes in net position. Total revenues for the District as a whole increased 11 percent to $300 million, while the total cost of all programs and services for the District as a whole increased by 10 percent to $305 million. Net position decreased by $5 million due to operating activities and by an additional $226 million for the cumulative effect of change in accounting principles for the implementation of the Statements.

Table 2
Changes in Net Position

	2014	2015	Percent Change
Revenues			
Program Revenues (Restricted)			
Charges for Services	$ 4,251,718	$ 3,666,045	-13.77%
Operating Grants	62,018,245	64,913,861	4.67%
Capital Grants		(311,019)	-100.00%
General Revenues			
Property Taxes	47,865,004	51,691,970	8.00%
Federal and state aid-Unrestricted	150,518,495	174,228,201	15.75%
Developer Fees	898,004	1,450,124	61.48%
Other	4,035,180	4,355,162	7.93%
Total Revenues	269,586,646	299,994,344	11.28%
Program Expenses			
Instruction	173,653,604	193,037,532	11.16%
Instruction Related Services	25,493,295	28,339,083	11.16%
Pupil Services	29,238,003	31,508,275	7.76%
General Administration	13,260,947	16,312,109	23.01%
Plant Services	25,675,604	27,014,883	5.22%
Interest	7,884,282	7,337,204	-6.94%
Other	1,629,045	1,727,658	6.05%
Total Expenses	276,834,780	305,276,744	10.27%
Increase/(Decrease) in Net Position	(7,248,134)	(5,282,400)	
Net Position - Beginning - As Previously Reported	390,236,042	382,987,908	
Cumulative Effect of Change in Accounting Principles		(225,480,107)	
Net Position - Beginning - As Restated	390,236,042	157,507,801	
Net Position - Ending	$ 382,987,908	$ 152,225,401	-60.25%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Governmental Functions

All governmental funds had total revenues and other financing sources of $311 million and expenditures and other financing uses of $323 million. These activities decreased the combined fund balance by $12 million to $83 million. Table 3 shows the changes in fund balances from the prior year.

Table 3
Changes in Fund Balances

	2014	2015	Increase (Decrease)
General	$ 39,615,789	$ 32,017,147	$ (7,598,642)
Charter School	323,585	487,918	164,333
Adult Education	984,864	1,057,712	72,848
Child Development	232,776	167,304	(65,472)
Cafeteria	7,164,364	8,153,284	988,920
Building	12,623,438	7,767,758	(4,855,680)
Capital Facilities	2,740,389	2,978,955	238,566
County School Facilities	6,267	6,382	115
Special Reserve Fund for Capital Outlays	7,584,907	6,985,228	(599,679)
Bond Interest and Redemption	8,281,836	8,824,633	542,797
Debt Service	15,982,622	14,899,061	(1,083,561)
Total	$ 95,540,837	$ 83,345,382	$ (12,195,455)

Significant net changes in fund balances for the year were as follows:

- General Fund decreased by $8 million due to negotiation settlements, additional contributions to self-insurance funds to set aside reserves for property and general liability and retiree benefits.
- Building Fund decreased by $5 million due to various capital facility improvements.
- Debt Service Fund decreased by $1 million due to debt payments from resources previously set aside.

General Fund Budgetary Highlights

Work on the 2014-15 general fund budget began with a review of the Governor's proposal in January 2014. The economy is improving and the Governor's office proposed a 10.9% increase to the per-student funding. Only once in the past 30 years has public education received an increase of this magnitude, a 10% increase back in 2001. The January proposal to the Local Control Funding Formula (LCFF) in 2014-15 was more than double of the 2013-14 funding. Also included in the January proposal was elimination of all K-14 apportionment deferrals. The May Revise did not have any significant changes from the January proposal. While the May Revise projected improved state revenues, it did not add more funding to education. The Governor proposed increases in Medi-Cal coverage and creation of a "Rainy Day Fund". The Rainy Day Fund proposal includes a Proposition 98 reserve requirement should certain budgetary conditions at the state level occur. Other concerns of school districts across the state are the rising cost and increased rates for CalSTRS and CalPERS pension plans as well as the cost of implementing the Common Core State Standards. The effect of the Governor's proposal along with the proposed Local Control Accountability Plan (LCAP) was presented to the Board of Education (Board) on June 3, 2014. Other topics included Technology, Professional Development, and Summer School Intervention needs. Enrollment and cost projections were reviewed with the Board on June 17, 2014. The District went through the annual process involving District staff, management and Superintendent review to provide a balanced budget and LCAP for Board approval on June 24, 2014.

The budget process continued to evolve and adapt to the major change to school finance with the LCFF structure and the LCAP requirements. The District continued with stable student enrollment. Financial updates were presented to the Board throughout the spring and fall of 2014 regarding the impact of the State budget. The District continued to monitor changes in enrollment and state funding levels during the course of fiscal year 2014-15. The district started very early in the 2014-15 fiscal year creating committees and holding planning meetings to compile and share data for the LCAP and reviewing prior year LCAP action items. The district has continuously updated the Board on the budget, expenditure calculations and enrollment changes as well as planning for the LCAP. We are hoping for continued increases to the LCFF gap closure in the future years so public education can get back to 100% funding levels.

Business-type Funds

The assets in the Self-Insurance Fund exceeded liabilities by $33 million at June 30, 2015. The District uses these assets to provide for the claims and administration of its self-insured programs: worker's compensation, self-insured retention portion of property and liability, and vision and dental benefits. As of June 30, 2015, the incurred but not reported (IBNR) and reserve liabilities are fully funded for all the programs.

Beginning with fiscal year 2007-08, the District also uses a Self-Insurance Fund to account for the accumulation of funds and payment of retiree benefits. As of June 30, 2015, the District has a Net Other Post Employment Benefit (OPEB) Obligation of $14 million.

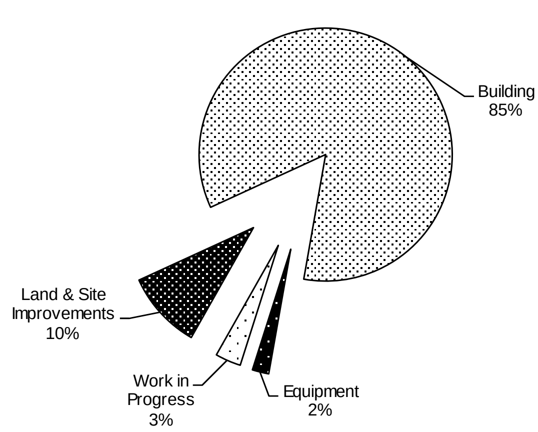
CAPITAL ASSET AND DEBT ADMINISTRATION

Table 4
Capital Assets
(net of depreciation)

	2014	2015	Percent Change
Land and Improvement of Sites	$ 41,471,275	$ 42,933,601	3.53%
Building	371,603,695	364,846,715	-1.82%
Equipment	10,483,737	9,164,914	-12.58%
Work in Progress	13,088,038	14,216,143	8.62%
Total Net Assets	$ 436,646,745	$ 431,161,373	-1.26%

By June 30, 2015 the District has invested over $431 million in a broad range of capital assets, including school buildings, buses, computers and copiers, and administrative offices. This amount represents a net decrease of $5 million or 1 percent from last year. Figure 1 below graphically displays the percentage of capital assets by category.

Figure 1
Capital Assets
As of June 30, 2015



At June 30, 2015, the District has budgeted $12 million for capital project using the proceeds from the sale of bonds, Proposition 47 apportionments and developer fees. The amounts in the following Table 5 represent the final projected budget for 2014-15 only and do not necessarily represent the total budget for the projects as most projects span more than one fiscal year.

Table 5
Anticipated Projects

Project No.	Project	
8003	Elkhorn Bldg Safety Improvement	$ 300,000
8004	Dsms Bldg Safety Imp - Roof	1,000,000
8005	Mchs Bldg Safety Imp - Roof	1,000,000
8007	Muir Bldg Imp - Paint	200,000
8009	Morada Bldg Imp - Paint	300,000
8010	Bchs Bldg Imp - Paint	800,000
8125	Lodi High Career Technical Education	567,000
8904	Ronald E. Mcnair High	407,000
8928	Bchs Athletic Facility Improvements	2,000,000
8934	School Facilities Improvement District - Safety Project	3,906,000
8944	Lodi Hs Track	943,000
xxxx	Other Various Projects	434,000
	Total Anticipated	$ 11,857,000

At June 30, 2015, the District had $403 million in general obligation bonds and other long-term debt outstanding – a decrease of 11 percent from last year as shown in the following Table 6.

The District refinanced the 2007 Series of the 2006 General Obligation Bonds during the fiscal year. This will reduce the debt service payments by almost $1 million over the life of the certificates.

Table 6
Long-Term Debt

	Restated 2014	2015	Percent Change
General Obligation Bonds	140,853,303	$ 136,061,533	-3.40%
Certificates of Participation Payable	38,842,007	36,552,119	-5.90%
Capital Leases Payable	11,344,054	10,363,012	-8.65%
Claims Payable	12,129,911	13,868,815	14.34%
Net OPEB Obligation	11,488,804	14,285,170	24.34%
Other loan	40,000	30,000	-25.00%
Compensated Absences Payable	1,001,276	1,140,216	13.88%
Net Pension Liability	239,310,613	190,831,885	-20.26%
Total	$ 455,009,968	$ 403,132,750	-11.40%

The 2014 balance has been increased by $239,310,613 for the net pension liability as result of implementing GASB 68.

FACTORS BEARING ON THE DISTRICT FUTURE

At the time these financial statements were prepared, factors affecting the District's future include:

- The Local Control Funding Formula (LCFF) which is the new finance system for K-12 education. The LCFF provides base, supplemental, and concentration grants in place of most previously existing funding sources, including revenue limits and most state categorical programs. As part of the LCFF, the district will be required to develop, adopt, and annually update three-year Local Control and Accountability Plan (LCAP) using a template adopted by the California State Board of Education.

- Enrollment is stabilizing, and it is expected that decline, if any, will be very slight in the coming years.

- Implementation of the employer mandate under the Affordable Care Act which includes offering quality health insurance coverage to all full-time employees as defined by the Act.

- Aspire Public Schools is in the process of obtaining financing to refund the 2005 Certificates of Participation issued by District. This would eliminate the District long-term lease receivable and reduce long-term debt.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Mr. Tim Hern, Associate Superintendent/Chief Business Officer, Lodi Unified School District, 1305 E. Vine, Lodi, CA 95240.

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash and equivalents	$ 156,871,104
Restricted cash and equivalents	5,246,718
Deposits held for others	560,209
Accounts receivable	11,130,085
Lease receivable	15,990,000
Inventories	663,867
Prepaid items	663,031
Depreciable capital assets (net)	387,208,320
Nondepreciable capital assets	43,953,053
Total assets	622,286,387
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflow of resources related to pensions	16,179,386
Deferred amount on debt refunding	1,525,728
Total deferred outflow of resources	17,705,114
LIABILITIES	
Accounts payable	31,972,016
Retainage payable	487,940
Unearned revenue	939,232
Long-term liabilities, due within one year	12,065,468
Long term liabilities, due in more than one year	391,067,282
Total liabilities	436,531,938
DEFERRED INFLOW OF RESOURCES	
Deferred inflow of resources related to pensions	51,234,162
NET POSITION	
Net investment in capital assets	266,336,867
Restricted for:	
Capital projects	10,870,966
Debt service	14,073,981
Educational programs	6,046,654
Other purposes (expendable)	10,117,764
Unrestricted	(155,220,831)
Total net position	$ 152,225,401

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

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
Instruction	$ 193,037,532	$ 795,167	$ 38,578,636	$ (311,019)	$ (153,974,748)
Instruction-related services:					
Instructional supervision and administration	9,202,849	65,204	4,899,194		(4,238,451)
Instructional library, media and technology	1,784,901		20,123		(1,764,778)
School site administration	17,351,333	9,585	594,026		(16,747,722)
Pupil services:					
Pupil transportation	5,756,714		455,920		(5,300,794)
Food services	14,302,324	2,532,717	12,684,248		914,641
Other pupil services	11,449,237	49,609	3,276,781		(8,122,847)
Plant services	27,014,883	20,577	1,580,495		(25,413,811)
Ancillary services	966,131		23,696		(942,435)
Enterprise activities	126,736		122,582		(4,154)
General administration:					
Data processing services	6,120,405				(6,120,405)
Other general administration	10,191,704	193,186	2,304,344		(7,694,174)
Interest on long-term debt	7,337,204				(7,337,204)
Other outgo	634,791		373,816		(260,975)
Totals	$ 305,276,744	$ 3,666,045	$ 64,913,861	$ (311,019)	(237,007,857)

General revenues:	
Taxes and subventions:	
Taxes levied for general purposes	40,860,817
Taxes levied for debt service	10,816,739
Taxes levied for other specific purposes	14,414
Federal and state aid not restricted to specific purposes	174,228,201
Developer fees	1,450,124
Interest and investment earnings	521,248
Interest income on lease receivable	767,194
Miscellaneous revenue	3,066,720
Total general revenues	231,725,457
Decrease in net position	(5,282,400)
Net position - beginning of year - as previously reported	382,987,908
Cumulative effect of change in accounting principles	(225,480,107)
Net position, beginning of year - as restated	157,507,801
Net position - ending	$ 152,225,401

LODI UNIFIED SCHOOL DISTRICT

BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and equivalents	$ 51,739,445	$ 6,924,627	$ 6,776,214	$ 9,597,632	$ 23,403,863	$ 98,441,781
Restricted cash and cash equivalents				5,241,327	5,391	5,246,718
Deposits held for others					560,209	560,209
Accounts receivable	8,223,248	1,565,789	5,340	60,102	403,585	10,258,064
Lease receivable			15,990,000			15,990,000
Due from other funds	109,721	205,083	544,414		132,778	991,996
Inventories	144,250	519,617				663,867
Prepaid items	663,031					663,031
Total assets	$ 60,879,695	$ 9,215,116	$ 23,315,968	$ 14,899,061	$ 24,505,826	$ 132,815,666
LIABILITIES						
Accounts payable	$ 25,302,511	$ 931,817	$ 340,740		$ 2,399,964	$ 28,975,032
Retainage payable	18,171				469,769	487,940
Due to other funds	2,729,424	3,225			109,340	2,841,989
Unearned revenue	812,442	126,790				939,232
Total liabilities	28,862,548	1,061,832	340,740		2,979,073	33,244,193
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue			15,990,000		236,091	16,226,091
FUND BALANCES						
Nonspendable for:						
Revolving cash	120,000					120,000
Inventories	144,250	519,617				663,867
Prepaid items	663,031					663,031
Restricted for:						
Instruction	5,391,432				655,222	6,046,654
Maintenance	686,062					686,062
Clean energy	1,278,418					1,278,418
Debt service				$ 5,249,347	8,824,634	14,073,981
Capital projects			117,873		10,753,093	10,870,966
Food services		7,633,667				7,633,667
Committed for:						
Adult education					1,057,713	1,057,713
Assigned for:						
Instruction:						
Instructional Materials	2,000,000					2,000,000
Sites and other programs	2,577,574					2,577,574
Special education	2,000,000					2,000,000
Purchase order commitments	488,448					488,448
Site allocation carryforward	2,500,000					2,500,000
Debt service				9,649,714		9,649,714
Capital projects			6,867,355			6,867,355
Unassigned	14,167,932					14,167,932
Total fund balances	32,017,147	8,153,284	6,985,228	14,899,061	21,290,662	83,345,382
Total liabilities, deferred inflow of resources and fund balances	$ 60,879,695	$ 9,215,116	$ 23,315,968	$ 14,899,061	$ 24,505,826	$ 132,815,666

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

LODI UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balance, governmental funds	$ 83,345,382
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The historical cost of the capital assets is $565,499,600, and the accumulated depreciation is $134,338,227.	431,161,373
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:	(2,948,128)
Certain other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.	16,226,091
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities, net of unamortized premiums, discounts, are included in governmental activities in the statement of net position as follows:	
General obligation bonds	(136,061,533)
Certificates of participation	(36,552,119)
Capital leases payable	(10,363,012)
Other long-term debt	(30,000)
Compensated absences	(1,140,216)
Net pension liability	(190,831,885)
In governmental funds, deferred outflows and inflows of resources relating to pensions and refunding are not reported because they are applicable to future periods. In the statement of net position, deferred outflow and inflows of resources are reported as follows:	
Deferred outflow of resources related to pensions	16,179,386
Deferred outflow of resources resulting from deferred amount on refundings	1,525,728
Deferred inflow of resources related to pensions:	(51,234,162)
The District uses an internal service fund to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are reported with governmental activities in the statement of net position.	32,948,496
Total net position, governmental activities	$ 152,225,401

LODI UNIFIED SCHOOL DISTRICT

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
State apportionments	$ 166,576,635				$ 3,043,067	$ 169,619,702
Local sources	37,789,932				447,848	38,237,780
Total local control funding formula	204,366,567				3,490,915	207,857,482
Federal revenues	15,623,982	$ 12,489,138		$ 549,467		28,662,587
Other state revenues	37,190,953	932,744			1,451,580	39,575,277
Other local revenues	4,569,907	2,714,515	$ 60,639	664,394	12,955,440	20,964,895
Total revenues	261,751,409	16,136,397	60,639	1,213,861	17,897,935	297,060,241
EXPENDITURES						
Current:						
Instruction	180,031,225				3,690,534	183,721,759
Instruction-related services:						
Supervision of instruction	7,074,382				468,622	7,543,004
Administrative unit (AU) of multidistrict SELPA	1,716,124					1,716,124
Instructional library, media and tech	1,770,176				38,554	1,808,730
School site administration	16,666,662				621,689	17,288,351
Pupil services:						
Pupil transportation	5,500,800					5,500,800
Food services	98,704	14,223,607			376	14,322,687
Other pupil services	11,435,032				86,984	11,522,016
Ancillary services	976,139					976,139
Enterprise activities	130,283					130,283
General administration:						
Data processing services	5,697,250					5,697,250
Other general administration	9,991,823	800,400			221,735	11,013,958
Plant services	24,457,940	62,084	36,142		2,760,037	27,316,203
Debt service:						
Principal	1,131,433			2,985,000	4,297,560	8,413,993
Interest and other charges	90,288			1,992,999	6,300,002	8,383,289
Capital outlay	1,226,812	61,386	1,156,123		3,362,143	5,806,464
Transfers to other agencies	278,991				355,800	634,791
Total expenditures	268,274,064	15,147,477	1,192,265	4,977,999	22,204,036	311,795,841
Deficiency of revenues over expenditures	(6,522,655)	988,920	(1,131,626)	(3,764,138)	(4,306,101)	(14,735,600)
OTHER FINANCING SOURCES (USES)						
Interfund transfers out	(1,922,384)		(1,450,247)		(329,465)	(3,702,096)
Refunding GO Bond issued					8,005,000	8,005,000
Payment to refund GO Bond					(7,695,000)	(7,695,000)
Lease receivable revenue			1,402,194			1,402,194
Proceeds from Capital Leases	827,951					827,951
Interfund transfers in	18,446		580,000	2,680,577	423,073	3,702,096
Total other financing sources and uses	(1,075,987)		531,947	2,680,577	403,608	2,540,145
Increase (decrease) in fund balances	(7,598,642)	988,920	(599,679)	(1,083,561)	(3,902,493)	(12,195,455)
Fund balances - beginning	39,615,789	7,164,364	7,584,907	15,982,622	25,193,155	95,540,837
Fund balances - ending	$ 32,017,147	$ 8,153,284	$ 6,985,228	$ 14,899,061	$ 21,290,662	$ 83,345,382

LODI UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds:	$ (12,195,455)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which depreciation ($12,005,669) exceeds capital outlays ($6,529,872) in the period.	(5,475,797)
Repayment of the principal of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.	8,413,993
Because governmental funds focus on current financial resources, they do not report long-term debt. Thus, neither refunded debt nor refunding debt are reported in governmental funds. This is the net effect of the refunding transaction in the current period on the governmental fund statements.	(310,000)
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. The difference between debt issue costs for prepaid insurance incurred in the current period and prepaid insurance costs amortized for the period is:	308,490
In governmental funds, capital leases are recognized as an other financing source and expenditure at acquisition. In government-wide statements, the capital lease is reported as an increase to liabilities.	(827,951)
Premiums, discounts, and deferred amount on refunding are recognized as a part of long-term debt transactions in the year of issuance by governmental funds. However, these costs are deferred and amortized in the statement of activities.	505,886
Gain or loss from disposal of capital assets: in governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. This is the difference between the proceeds from disposal of capital assets and the resulting gain or loss.	(9,575)
Revenues that were earned but unavailable relating to the current period, less revenues that became available in the current period but related to a prior period.	(798,909)
Changes in the liability for compensated absences are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. In the statement of activities, compensated absences are recognized as expenses/revenues when earned by employees.	(138,940)
Capital projects cancelled or written off are charged to expense in the period the project is cancelled.	
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. However, in the statement of activities, unmatured interest on long-term debt is accrued at year end.	231,710
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. The difference between accrual-basis pension costs and actual employer contributions was:	(406,554)
Internal service funds are used by management to charge the costs of certain activities, such as self insurance and retiree benefits, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	5,420,702
Change in net position of governmental activities	$ (5,282,400)

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	Self-Insurance Fund
ASSETS	
Cash and equivalents	$ 58,429,323
Accounts receivable	872,021
Due from other funds	1,850,001
Total assets	61,151,345
LIABILITIES	
Current Liabilities:	
Accounts payable	48,856
Due to other funds	8
Claims and judgments	2,043,758
Total current liabilities	2,092,622
Noncurrent Liabilities:	
Net OPEB obligation	14,285,170
Claims and judgments	11,825,057
Total noncurrent liabilities	26,110,227
Total liabilities	28,202,849
NET POSITION	
Unrestricted	32,948,496
Total net position	$ 32,948,496

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Self-Insurance Fund
OPERATING REVENUES	
Charges for services	$ 18,315,200
Other local revenue	341,945
Total operating revenue	18,657,145
OPERATING EXPENSES	
OPEB benefit expense	4,423,147
Claims and administration	8,948,064
Total operating expense	13,371,211
Operating income	5,285,934
NON-OPERATING REVENUES	
Interest income	134,768
Increase in net position	5,420,702
Net position - beginning	27,527,794
Net position - ending	$ 32,948,496

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

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Self-Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interfund services provided	$ 15,958,212
OPEB benefit payments	(1,582,337)
Claims paid	(1,558,716)
Payments to employees	(141,731)
Payments to suppliers	(5,546,269)
Net cash and equivalents provided by operating activities	7,129,159
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	134,768
Net increase in cash and equivalents	7,263,927
Cash and equivalents – beginning of year	51,165,396
Cash and equivalents – end of year	$ 58,429,323
RECONCILIATION OF OPERATING INCOME TO CASH AND EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 5,285,934
Changes in operating assets and liabilities:	
Accounts receivable	(839,634)
Due from other funds	(1,850,001)
Accounts payable	6,888
Due to other funds	(9,298)
Net OPEB obligation	2,796,366
Claims and judgments	1,738,904
Net cash and equivalents provided by operating activities	$ 7,129,159

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Agency Funds
ASSETS	
Cash and equivalents	$ 2,234,054
LIABILITIES	
Due to student groups and other agencies	$ 2,234,054

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

1. SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING POLICIES

The Lodi Unified School District (the District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. REPORTING ENTITY

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

The District has sponsored four charter schools: Aspire Vincent Shalvey Academy, Aspire River Oaks Charter School, Aspire Benjamin Holt College Preparatory Academy, and Rio Valley Charter School. In determining its reporting entity, the District considered whether these charter schools should be included. The District determined that these charter schools do not meet the above criteria primarily because Aspire Public Schools and Pacific Charter Institute have been established as non-profit public benefit corporations. The charter agreements specify that the District does not participate in the management or operation of these charter schools, and that the charter schools shall indemnify and hold harmless the District against all loss caused by the charter schools. In addition, Education Code Section 47604(c) specifies that a district shall not be liable for the debts or obligations of a charter school operated by a non-profit public benefit corporation.

The District and the Lodi Unified School District Capital Facilities Corporation (the Corporation) have a financial and operational relationship which meets the reporting entity definition criteria of GASB for inclusion of the Corporation as a component unit of the District. The Corporation's board members are the same as the District's board members.

The Corporation is a non-profit public benefit corporation incorporated under the laws of the State of California on March 2, 1990. The Corporation was formed to provide financial assistance to the District for construction and acquisition of major capital facilities. The District occupies all Corporation facilities and is the sole lessee of all facilities owned by the Corporation. The District's lease payments are the sole revenue source of the Corporation.

For financial presentation purposes, the Corporation's financial activity has been blended with the financial data of the District. The financial statements present the Corporation's financial activity within the Special Reserve Fund for Capital Outlay and the Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

C. BASIS OF PRESENTATION

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid doubling revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund financial statements – Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column as other governmental funds. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures, and Changes in Fund Balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of internal service funds are charges to other funds for employee self-insurance claims and post-employment benefit payments. Operating expenses of internal service funds include the costs of insurance premiums and claims related to self-insurance and post-employment benefits.

Fiduciary funds are reported using the economic resources measurement focus. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund financial statements use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 45, 60, or 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined "available" as collectible within one year.

Non-exchange transactions are those in which the District receives value without directly giving equal value in return, including property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted, matching requirements, under which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Receivables associated with non-exchange transactions that will not be collected within the period of availability have been offset with unavailable revenue.

Unearned Revenue – Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are recorded as unearned revenue.

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

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available for use, it is the District's policy to first apply the expenditure toward, restricted fund balance and then to other, less restrictive classifications - committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

E. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, internal service, and fiduciary funds as follows:

Major Governmental Funds

The **General Fund** is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The **Cafeteria Fund**, a special revenue fund, is used to account for revenues received and expenditures made to operate the District's cafeterias.

The **Special Reserve Fund for Capital Outlay**, a capital projects fund, is used to account for various maintenance and capital outlay projects.

The **Debt Service Fund** is used for the accumulation of resources for and the retirement of principal and interest on long-term debt.

Non-Major Governmental Funds

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

The **Adult Education Fund** is used to account for resources committed to adult education programs maintained by the District.

The **Child Development Fund** is used to account revenues received and expenditures made to operate the District's child development programs.

The **Charter School Fund** is used to account for revenues received and expenditures made to operate the District's Charter School(s).

The **Special Education Pass-Through Fund** is used by the Administrative Unit (AU) of a multi-LEA Special Education Local Plan Area (SELPA) to account for Special Education revenue pass-through to other member Local Education Agencies (LEAs).

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

The **Building Fund** is used to account for the acquisition of major governmental capital facilities and buildings from bond proceeds.

The **Capital Facilities Fund** is used to account for resources received from development impact fees assessed under provisions of the California Government Code.

The **County School Facilities Fund** is used to account for state apportionment provided for construction and reconstruction of school facilities under SB50.

The **Debt Service** funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and other debt related costs. The District maintains the following non-major debt service fund:

The **Bond Interest and Redemption Fund** is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and other debt related costs.

Internal Service Funds

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains two internal service funds. The **Self-Insurance Fund** is used to provide general and vehicle liability, workers' compensation, dental, and vision insurance coverage to its employees. The **Self-Insurance – OPEB Fund** is used to provide for retiree benefits.

Fiduciary Funds

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains **Student Body Funds**, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

The Warrant/Pass-through Fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, credit unions, and other contributions.

F. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

G. CASH AND EQUIVALENTS

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

H. INVENTORIES AND PREPAID ITEMS

Inventories are recorded using the consumption method, in that the cost is recorded as an expenditure at the time individual inventory items are withdrawn from stores inventory for consumption. Inventories in the applicable funds consist primarily of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting expenditures for prepaid items in governmental funds either when paid or during the benefiting period. The District has chosen to report the expenditures during the benefiting period.

I. CAPITAL ASSETS

Capital assets are those equipment purchased or acquired with an original cost of $10,000 or more and are reported at historical cost or estimated historical cost. Facility projects that extend the life and value of a site or building and exceed $100,000 are reported as capital assets. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Asset Class	Years
Improvement of Sites	20
Buildings	50
Machinery and Equipment	5-20

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the balance sheet reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The District’s deferred amount on refunding, resulting from the difference in the carrying value and reacquisition price of the refunded debt, is reported as a deferred outflow of resources and is amortized over the shorter of the life of the refunded debt or refunding bond.

On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been offset with unavailable revenue. The District’s unavailable revenue in the balance sheets is for the long-term facilities lease and future development fees.

Contributions made to the District’s pension plan(s) after the measurement date but before the fiscal year-end are recorded as a deferred outflow of resources and will reduce the net pension liability in the next fiscal year.

Additional factors involved in the calculation of the District’s pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District’s contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 11 for further details related to these pension deferred outflows and inflows.

K. PENSIONS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement Plan (the CalSTRS Plan), and classified employees are members of the Schools Pool (the CalPERS Plan), collectively referred to as the Plans. For purposes of measuring the net pension liability, pension expense, and deferred outflows/inflows of resources related to pensions, information about the fiduciary net position of the District's portions of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. RETAINAGE PAYABLE/ DEPOSITS HELD FOR OTHERS

Retainage payable represents amounts owed to contractors (generally 10% of billings) that are withheld until the District is satisfied that the contract has been sufficiently met. Depending upon the terms on the contract, the contractor may request that these funds be held in an escrow account (Deposits held for others). These accounts are set up such that the contractor is the beneficial owner of the securities held in the account and directs the investment into securities. The District shall have a right to draw upon the securities in the event of default by a contractor. As of June 30, 2015, retainage payable is $487,940 and the balance of the escrow accounts that the District has paid into these accounts for contracts is $560,209.

M. COMPENSATED ABSENCES

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District on the government-wide financial statements. Compensated absences are generally liquidated by the General Fund.

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

N. FUND BALANCES

In the governmental fund financial statements fund balances are classified as follows:

Non-spendable – Funds that cannot be spent due to their form or funds that legally or contractually must be maintained intact.

Restricted – Funds that are mandated for specific purposes because the amounts are subject to externally imposed or legally enforceable constraints.

Committed – Funds set aside for specific purposes by the District's highest level of decision-making authority (Board of Education) pursuant to formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specific use through the same type of formal action taken to establish the commitment.

Assigned – Funds that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Resolution No. 2011-54 hereby delegates the authority to assign amounts to be used for specific purposes to the Chief Business Officer for the purpose of reporting these amounts in the financial statements.

Unassigned – The residual balance of the general fund that has not been assigned to other funds and that is not restricted, committed or assigned to a specific purpose.
Consistent with the Criteria and Standards for fiscal solvency adopted by the State Board of Education, the District maintains a Reserve for Economic Uncertainties to safeguard the District's financial stability. The responsibility to operate the District to maintain financial stability resides with the elected Board of Education. The minimum recommended reserve for a District of this size is a minimum of 3% of budgeted general fund expenditures and other financing uses. The District's standard policy is to maintain the reserve at 3%. As of June 30, 2015, the District had a Reserve for Economic Uncertainty of $8,024,131 in the General Fund's unassigned fund balance which represents 3% of budgeted general fund expenditures and other financing uses. The remaining unassigned balance consists of $1,000,000 for K-3 GSA Protection, which is a reserve for additional teachers and transportation costs in case a school exceeds the 24 to 1 ratio, and $5,143,801 as additional designations for potential deficit spending.

O. PROPERTY TAXES

Secured property taxes attach as an enforceable lien on property as of January 1, and are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Joaquin bills and collects the taxes for the District.

P. LONG-TERM OBLIGATIONS

The District reports long-term obligations of governmental funds at face value in the government-wide financial statements. Long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements and the government-wide financial statements.

Q. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

R. CURRENT YEAR GASB IMPLEMENTATION

For the year ended June 30, 2015, the District implemented GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71 (GASB 71) *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The primary objectives of GASB 68 and GASB 71 are to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. They require employers to report a net pension liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note 11 explains the effect of the current year GASB implementation.

Since GASB 68 requires retroactive application, beginning net position is reduced by the net pension liability offset by the related deferred outflow of resources as of June 30, 2014. As a result, for the year ended June 30, 2015, the beginning net position decreased by $225,480,107 as the cumulative effect of a change in accounting principles.

2. CHARTER SCHOOLS

The Lodi Unified School District operates the Joe Serna Charter School pursuant to Education Code Section 47605. The financial activities of the Joe Serna Charter School are presented in the Special Revenue Fund (See Note 1).

3. CASH AND EQUIVALENTS

Cash and equivalents as of June 30, 2015, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and equivalents	$ 156,871,104
Restricted cash and equivalents	5,246,718
Fiduciary funds:	
Cash and equivalents	2,234,054
Total cash and equivalents	$ 164,351,876

Cash and equivalents as of June 30, 2015, consist of the following:

Cash with financial institutions	$ 4,881,660
Cash and equivalents with County Treasury	153,940,181
Cash and equivalents with fiscal agents	5,530,035
Total cash and equivalents	$ 164,351,876

Cash in County Treasury

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

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

The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq., and is restricted by Government Code Section 53635, pursuant to Section 53601. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

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

Investments Authorized by the District's Investment Policy

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds or Notes	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Mortgage Pass through Securities	5 years	20%	None
Joint Power Agreements	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None

Derivative Investments

The District did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the Treasury was not available.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. As of June 30, 2015, the weighted average maturity of the investments contained in the treasury investment pool is approximately 353 days.

Credit Risks

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization. As applicable, the actual rating for the cash and equivalents with fiscal agent as of June 30, 2015 is as follows:

	Market Value	Minimum Legal Rating	Rating as of End of Year
Toyota Motor Commercial Paper	$ 4,170,814	N/A	Not Rated
Blackrock Institutional Funds	1,012,690	N/A	AAAm
First American Treasury	57,800	N/A	AAAm

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Education Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits that are made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amounts deposited by the public agencies.

District deposits held with financial institutions and with fiscal agents in excess of federal depository insurance limits held in accounts collateralized by securities held by the pledging financial institution were $4,260,628.

4. ACCOUNTS/LEASE RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2015:

	General Fund	Cafeteria Fund	Special Reserve Fund	Debt Service Fund	Other Gov Funds	Self Insurance Fund	Total Funds
Federal government	$ 4,078,555	$1,418,010					$ 5,496,565
State government	3,367,077	102,818			$ 207,608		3,677,503
Local government	733,241	40,522	$ 15,990,000	$ 52,597	178,607	$ 830,546	17,825,513
Interest	44,375	4,439	5,340	7,505	17,370	41,475	120,504
Totals	$ 8,223,248	$1,565,789	$ 15,995,340	$ 60,102	$ 403,585	$ 872,021	$27,120,085

Lease Receivable

At June 30, 2015, the District has recorded a facilities lease receivable in the amount of $15,990,000 from Aspire Public Schools in the Special Reserve Fund (see Note 7, Certificates of Participation).

5. INTERFUND TRANSACTIONS

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

Due from/Due to Other Funds

Individual interfund receivables and payables as of June 30, 2015 were as follows:

	Payable Fund				
Receivable Fund	General Fund	Cafeteria Fund	Other Governmental Funds	Self-Insurance Fund	Total Funds
General Fund		$ 3,225	$ 106,488	$ 8	$ 109,721
Cafeteria Fund	$ 202,231		2,852		205,083
Special Res. For Capital Outlay	544,414				544,414
Other Governmental Funds	132,778				132,778
Self-Insurance Fund	1,850,001				1,850,001
Total	$ 2,729,424	$ 3,225	$ 109,340	$ 8	$ 2,841,997

Interfund receivables and payables are paid and cleared in the subsequent period.

Interfund Transfers

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

Interfund transfers for the year ended June 30, 2015 were as follows:

	Transfers In				
Transfers Out	**General Fund**	**Special Reserve Fund for Capital Outlay**	**Debt Service Fund**	**Other Governmental Funds**	**Total Funds**
General Fund		$ 580,000	$ 1,290,429	$ 51,955	$ 1,922,384
Special Reserve For Capital Outlay			1,390,148	60,099	1,450,247
Other Governmental Funds	$ 18,446			311,019	329,465
Total	$ 18,446	$ 580,000	$ 2,680,577	$ 423,073	$ 3,702,096

For the fiscal year ended June 30, 2015, the significant and/or non-routine transfers to the Debt Service Fund from the General Fund and Special Reserve for Capital Outlay were $1,290,429 and $1,390,148, respectively. These transfers were made to provide additional funding for debt service.

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	**Additions**	**Deductions**	**Balance June 30, 2015**
Capital assets, not being depreciated:				
Land	$ 28,758,332	$ 978,578		$ 29,736,910
Construction in progress	13,088,038	2,187,904	$ (1,059,799)	14,216,143
Total capital assets, not being depreciated	41,846,370	3,166,482	(1,059,799)	43,953,053
Capital assets, being depreciated:				
Improvement of sites	22,742,777	1,273,687		24,016,464
Buildings	462,716,637	2,370,383		465,087,020
Machinery and equipment	31,988,332	779,119	(324,388)	32,443,063
Total capital assets, being depreciated	517,447,746	4,423,189	(324,388)	521,546,547
Less accumulated depreciation for:				
Improvement of sites	(10,029,834)	(789,939)		(10,819,773)
Buildings	(91,112,942)	(9,127,363)		(100,240,305)
Machinery and equipment	(21,504,595)	(2,088,367)	314,813	(23,278,149)
Total accumulated depreciation	(122,647,371)	(12,005,669)	314,813	(134,338,227)
Total capital assets, being depreciated, net	394,800,375	(7,582,480)	(9,575)	387,208,320
Governmental activities capital assets, net	$ 436,646,745	$ (4,415,998)	$ (1,069,374)	$ 431,161,373

For the year ended June 30, 2015, depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	$ 10,280,995
Supervision of instruction	11,897
School site administration	143,257
Pupil transportation	348,145
Food services	229,168
Other general administration	170,313
Data processing services	682,107
Plant services	139,787
Total depreciation expense	$ 12,005,669

7. LONG-TERM LIABILITIES

General Obligation Bonds

In July 2006, the District issued the 2006 Series of 2002 General Obligation Bonds in the amount of $9,360,000, with interest rates ranging from 4.20% to 4.60%. As of June 30, 2015, the principal balance outstanding was $285,000.

In August 2007, the District issued the 2007 Series of 2006 of the School Facilities Improvement District No. 1 General Obligation Bonds in the amount of $50,000,000, with interest rates ranging from 4.50% to 5.00%. As of June 30, 2015 , the principal balance outstanding was $40,900,000.

On November 3, 2011, the District issued 2011 General Obligation Refunding Bonds in the amount of $42,190,000, with interest rates ranging from 2% to 5%, to currently refund the 2002 General Obligation Bonds 2002 Series. As of June 30, 2015, the principal balance outstanding was $37,550,000.

On August 13, 2012, the District issued 2012 General Obligation Refunding Bonds in the amount of $44,930,000, with interest rates ranging from 2% to 5%, to advance refund $46,565,000 of the 2002 General Obligation Bonds 2004 Series. As of June 30, 2015, the principal balance outstanding was $43,495,000.

On May 20, 2015, the District issued 2015 General Obligation Refunding Bonds (2015 Issue) in the amount of $8,005,000, with interest rates ranging from 4.125% to 5%, to currently refund $7,695,000 of the 2006 Series of 2002 General Obligation Bonds (Defeased Bonds.) The District completed the refunding to reduce debt service payments by $998,500 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of $967,838 in aggregate. The District defeased the bonds by placing proceeds of the 2015 Issue in an irrevocable escrow account to provide for future debt service, accordingly the assets and liabilities for the Defeased Bonds are not included in the Statement of Net Position. The Defeased Bonds in the amount of $7,695,000 were subsequently redeemed on August 1, 2015. As of June 30, 2015, the 2015 Issue principal balance outstanding was $8,005,000.

The bonds mature as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 5,085,000	$ 5,611,100	$ 10,696,100
2017	5,770,000	5,466,768	11,236,768
2018	6,595,000	5,210,720	11,805,720
2019	7,495,000	4,910,066	12,405,066
2020	8,440,000	4,554,601	12,994,601
2021-2025	41,660,000	17,292,454	58,952,454
2026-2030	43,505,000	7,562,344	51,067,344
2031-2033	11,685,000	919,873	12,604,873
Subtotal	130,235,000	51,527,926	181,762,926
Plus: Unamortized premium	5,826,533		5,826,533
Totals	$ 136,061,533	$ 51,527,926	$ 187,589,459

Certificates of Participation (COP)

In December of 2003, the District issued COP totaling $5,000,000 for the construction, rehabilitation and repair of school facilities by the District as part of the Qualified School Construction Bonds (QSCBs). The $5,000,000 is scheduled to mature December 11, 2018. As of June 30, 2015, the principal balance was $5,000,000.

In January of 2005, the District issued COP totaling $21,680,000, with interest rates ranging from 3.0% to 4.5%. The proceeds were used by the District to finance the acquisition of facilities from Aspire Public Schools (Aspire), a California nonprofit public benefit corporation, and for assistance with completion of improvements to these facilities. Concurrently, the District entered into a facilities lease agreement with Aspire for the use and occupancy of the facilities to meet their obligations under Education Code 47614. The facilities lease requires Aspire to make rental payments to the District equal to the COP's principal and interest payments (see Note 4, Lease Receivable). As of June 30, 2015, the principal balance was $16,625,000.

In February of 2008, the District issued COP totaling $13,500,000, with interest rates ranging from 4.0% to 4.5%. As of June 30, 2015, the principal balance was $3,065,000.

In July of 2010, the District issued COPs, Series A & B "2010" in the amount of $5,575,000 for the construction, rehabilitation and repair of school facilities by the District as part of the QSCBs. The COPs bear interest rates from 1.75% - 7.38% and are scheduled to mature through 2027. As of June 30, 2015, the principal balance was $4,230,000.

In September of 2003, the District issued COP totaling $10,985,000, with interest rates ranging from 2% to 5%. In January of 2014, the District issued Refunding Certificates of Participation totaling $8,165,000, with interest rates ranging from 4.25% to 5% to currently refund the September 2003 Issue. As of June 30, 2015, the principal balance was $7,745,000.

The certificates mature as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 1,410,000	$ 1,441,702	$ 2,851,702
2017	1,440,000	1,384,417	2,824,417
2018	1,485,000	1,322,584	2,807,584
2019	1,540,000	1,256,741	2,796,741
2020	6,590,000	1,188,781	7,778,781
2021-2025	9,215,000	4,776,639	13,991,639
2026-2030	9,510,000	2,441,452	11,951,452
2031-2035	4,935,000	587,653	5,522,653
2036-2037	540,000	38,711	578,711
Subtotal	36,665,000	14,438,680	51,103,680
Less: Unamortized discount/premium	(112,881)		(112,881)
Totals	$ 36,552,119	$ 14,438,680	$ 50,990,799

Capital Leases

In November 2010, the District entered in a Lease-Purchase Agreement of Energy Conservation Equipment of $9,915,000 as part of the 2010 Qualified Energy Conservation Project (Federally Taxable Direct Pay Tax Credit Bonds). The funds were used to install energy conservation equipment at various sites in the District. The District also leases various computers and equipment under agreements that provide for title to pass upon expiration of the lease period. The book value of these items at time of purchase was $15,856,520. Future minimum lease payments as of June 30, 2015 are as follows:

Year Ending June 30,	Lease Payments
2016	$ 2,334,094
2017	1,671,076
2018	975,505
2019	976,577
2020	980,961
Thereafter	6,579,721
Total	13,517,934
Less amount representing interest	(3,154,922)
Present value of net minimum lease payments	$ 10,363,012

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Restated Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
General Obligation Bonds	$ 134,220,000	$ 8,005,000	$ (11,990,000)	$ 130,235,000	$ 5,085,000
Unamortized GOB Premium	6,633,303		(806,770)	5,826,533	650,510
Certificates of Participation	38,965,000		(2,300,000)	36,665,000	1,410,000
Unamortized COP Discount	(151,821)		12,663	(139,158)	(11,502)
Unamortized COP Premium	28,828		(2,551)	26,277	2,460
Capital Leases	11,344,053	827,951	(1,808,992)	10,363,012	1,873,966
Claims Liability (Note 9)	12,129,911	3,297,620	(1,558,716)	13,868,815	2,043,758
Other Postemployment Benefits (Note 11)	11,488,804	4,378,703	(1,582,337)	14,285,170	
Other Long-Term Debt	40,000		(10,000)	30,000	10,000
Compensated Absences	1,001,276	2,031,268	(1,892,328)	1,140,216	1,001,276
Net Pension Liability (Note 11)	239,310,613	16,585,940	(65,064,668)	190,831,885	
Total	$ 455,009,967	$ 35,126,482	$ (87,003,699)	$403,132,750	$ 12,065,468

The June 30, 2014 balance has been increased by the $239,310,613 for the net pension liability as a result of implementing the GASB 68 and 74 (see Note 1.R).

8. COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

Litigation

Various claims and litigation involving the District are currently outstanding. However, based on consultation with legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

Commitments

The District has construction contracts and property acquisition commitments of approximately $1,210,428 at June 30, 2015. Bond and state funds have been approved for such construction.

9. RISK MANAGEMENT/CLAIMS LIABILITIES

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2015, the District participated in two joint power agreements (JPAs) for purposes of pooling of risk related to property and liability. See "Joint Ventures" footnote for nature of participation.

The District is self-insured for workers' compensations claims up to $1,000,000 per occurrence and purchases excess insurance for claims above $1,000,000, with a maximum of up to $10,000,000 per claim. In addition, the District is fully insured for dental care for all employees except classified. Classified employees' dental care is self-insured and vision care is also fully self-insured for all employees. All claims are administered by outside parties and the Self-Insurance Fund accounts for and liquidates these insurance activities.

The District has accrued a claims liability of $13,868,815 at June 30, 2015, for its self-insured claims and deductibles in the Self-Insurance Fund. The claims liability is based upon an evaluation by outside administrators and actuaries for known claims and management's evaluation of incidents incurred but not reported, excluding incremental costs. These claims liabilities are established based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage such as workers' compensation. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The majority of these claims liabilities are long-term in nature and the District's intent is to fund these liabilities over time. Management has estimated $2,043,758 of these liabilities will be incurred in the 2014-15 fiscal year.

Changes in claims liability for the years ended June 30, 2015 and 2014 are as follows:

	Liability Beginning of Year	Claims and Changes in Estimates	Claims Payments	Liability End of Year
2014-2015	$ 12,129,911	$ 3,297,620	$ (1,558,716)	$ 13,868,815
2013-2014	$ 11,832,497	$ 2,938,637	$ (2,641,223)	$ 12,129,911

10. JOINT VENTURES

The District participates in two JPAs, the Schools Association for Excess Risk (SAFER) and Northern California Relief (NCR). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

SAFER and NCR arrange property and liability insurance coverage for their members. The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the boards. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPAs.

NATURE OF PARTICIPATION

Property

District Deductible:	$50,000
JPA's SIR:	$100,001 to $250,000 with NCR
Excess Insurance:	$250,001 to $250,250,000 per occurrence with SAFER

Liability

District Deductible:	$100,000
JPA's SIR:	$100,001 to $1,000,000 with NCR
Excess Insurance:	$1,000,001 to $5,000,000 with SAFER
	$5,000,001 to $25,000,000 with SAFER

The condensed financial information of the JPAs is as follows:

	SAFER June 30, 2014	NCR June 30, 2014
Total Assets	$ 6,441,498	$ 65,717,062
Total Liabilities	$ 5,916,290	$ 59,524,485
Net Position	525,208	6,192,577
Total Liabilities and Net Position	$ 6,441,498	$ 65,717,062
Total Revenues	$ 1,373,518	$ 17,745,482
Total Expenses	(3,121,411)	(36,589,715)
Change in Net Position	$ (1,747,893)	$ (18,844,233)

Complete separate financial statements for the JPA may be obtained at the District office at 1305 E. Vine Street, Lodi, CA 95240.

11. EMPLOYEE RETIREMENT SYSTEMS

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District participates in the State Teachers' Retirement Plan (the CalSTRS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. CalSTRS acts as a common investment and administrative agent for participating public entities within the State of California. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calstrs.com.

Benefits Provided

The benefits for the CalSTRS Plan are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. Benefits are based on members' years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The California Public Employees' Pension Reform Act of 2013 (PEPRA) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalSTRS Plan has two benefit structures: 1) CalSTRS 2% at 60 – Members first hired on or before December 31, 2012, to perform CalSTRS creditable activities, and 2) CalSTRS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalSTRS creditable activities. The 2 percent, also known as the age factor, refers to the percentage of final compensation received as a retirement benefit for each year of service credit. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 60 with a minimum of five years of CalSTRS-credited service, while members hired after January 1, 2013, must be at least age 62 with five years of service.

Contributions

Assembly Bill 1469 (AB 1469), signed into law as a part of the State of California's (the State) 2014-15 budget, increases contributions to the CalSTRS Plan from members, employers, and the State over the next seven years, effective July 1, 2014. School employer contributions will increase from 8.25% to a total of 19.1% of covered payroll over the seven-year period. The District's required contribution rate for the year ended June 30, 2015, was 8.88% of annual pay. District contributions to the CalSTRS Plan were $11,101,972 for the year ended June 30, 2015.

The State contributes a percentage of the annual earnings of all members of the CalSTRS Plan. AB 1469 increases the State's contribution attributable to the benefits in effect in 1990, but does not change the base rate of 2.017%. Thus the State contribution rate, which in the period ended June 30, 2015, was 3.454% of covered payroll, will increase over the next two years to a total of 6.328%.

Actuarial Assumptions

The total pension liability for the CalSTRS Plan 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 the measurement date of June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Investment Rate of Return	7.60% [1]
Mortality[2]	CalSTRS' Membership Data
Post-Retirement Benefit Increase	2% simple

[1] Net of investment expenses, but gross of administrative expenses.
[2] CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

Discount Rate

The discount rate used to measure the CalSTRS Plan's total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. 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 occur midyear. Based on those assumptions, the CalSTRS Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term * Expected Real Rate of Return
Global Equity	47.00%	4.50%
Private Equity	12.00%	6.20%
Real Estate	15.00%	4.35%
Inflation Sensitive	5.00%	3.20%
Fixed Income	20.00%	0.20%
Cash / Liquidity	1.00%	0.00%
Total	100.00%	

*10-year geometric average

California Public Employees' Retirement System (CalPERS)

Plan Description

The District participates in the Schools Pool (the CalPERS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

Benefits Provided

The benefits for the CalPERS Plan are established by contract, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. PEPRA made significant changes to the benefit structure that primarily affect members first hired to perform CalPERS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalPERS Plan has two benefit structures: 1) CalPERS 2% at 55 – Members first hired on or before December 31, 2012, to perform CalPERS creditable activities, and 2) CalPERS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalPERS creditable activities. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 50 with a minimum of five years of CalPERS-credited service, while members hired after January 1, 2013, must be at least age 52 with a minimum of five years of service.

Contributions

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the CalPERS Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The CalPERS Plan's 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's required contribution rate for the year ended June 30, 2015, was 11.771% of annual pay. District contributions to the CalPERS Plan were $5,077,414 for the year ended June 30, 2015.

Actuarial Assumptions

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liability amounts were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies (1)
Investment Rate of Return	7.50% (2)
Mortality(3)	CalPERS' Membership Data
Post-Retirement Benefit Increase	Up to 2.75%(4)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment and administrative expenses; includes inflation
(3) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, refer to the 2014 experience study report.
(4) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the CalPERS Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2014 based on June 30, 2013 Valuations,* that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular asset liability management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the year ended June 30, 2018. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS has changed their methodology.

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 – 10[(a)]	Real Return Years 11+[(b)]
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

[(a)] An expected inflation of 2.5% was used for this period.
[(b)] An expected inflation of 3.0% was used for this period.

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

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

District's proportionate share of the net pension liability:		
CalSTRS Plan	$	147,261,240
CalPERS Plan		43,570,645
State's proportionate share of CalSTRS net pension liability associated with the District		88,989,303
Total	$	279,821,188

The District's net pension liability is measured as the proportionate share of each Plan's net pension liability. The net pension liabilities of the Plans are measured as of June 30, 2014, and calculated by reducing the total pension liability of each Plan by the respective Plan's fiduciary net position. The District's proportion of each Plan's net pension liability was based on the ratio of the District's actual employer contributions in the measurement period to the total actual employer and State contributions received by the respective Plan in the measurement period. The District's proportionate share of the net pension liability as of June 30, 2014, was 0.252% and 0.3838% for the CalSTRS and CalPERS Plans, respectively.

For the year ended June 30, 2015, the District recognized pension expense of $24,296,874 and revenue of $7,710,934 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
District contributions subsequent to measurement date	$ 16,179,386	
Net differences between projected and actual earnings on plan investments		$ 51,234,162
Total	$ 16,179,386	$ 51,234,162

The $16,179,386 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30		
2016	$	(12,808,539)
2017		(12,808,541)
2018		(12,808,541)
2019		(12,808,541)
Total	$	(51,234,162)

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

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

	Discount Rate –1% (6.60%)	Current Discount Rate (7.60%)	Discount Rate +1% (8.60%)
District's proportionate share of the CalSTRS Plan's net pension liability	$ 229,541,760	$ 147,261,240	$ 78,654,240

	Discount Rate –1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate +1% (8.50%)
District's proportionate share of the CalPERS Plan's net pension liability	$ 76,432,857	$ 43,570,645	$ 16,110,954

OTHER POSTEMPLOYMENT BENEFIT PLAN

In addition to the CalPERS/CalSTRS pension benefits, the District offers single-employer postretirement health care benefits up to age 65 for certain groups of employees who retire from the District after attaining age 50 or 60 with at least 10 to 20 years of service. These postretirement health care benefit provisions are established per contractual agreement with employee groups. As of June 30, 2015, 263 retirees met these eligibility requirements. The District pays up to $737 per month for health benefits of retirees. In addition, eligible management employees receive $2,000 per year toward health care benefits after age of 65. As of June 30, 2015, the District had not established an irrevocable trust or designated a trustee for the payment of plan benefits. As such, there is no separately issued report of the plan.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. During the year ended June 30, 2015, expenditures of $4,378,703 were recognized for the OPEB expense.

During the year ended June 30, 2015 the District transferred $7,072,784 to the Self-Insurance – OPEB Fund, an Internal Service Fund. This transfer is regarded as earmarking of employer assets to reflect the employer's intent to apply these assets to finance the cost of postemployment benefits at some time in the future and thus do not qualify as contributions. The June 30, 2015 contributions consist of $1,582,337 postemployment benefits for current retirees on a pay-as-you-go basis.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimations are made about the future. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. If applicable, the disclosure that the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation. The schedule of funding progress included in the required supplementary information presents multiyear information regarding whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar over a rolling 30 years
Remaining amortization period at June 30, 2015	29
Discount rate assumption	4%
Return on Assets	4%
Health inflation assumption	4-8%

Annual required contribution	$	4,583,550
Interest on net OPEB obligation		459,552
Adjustment to annual required contribution		(664,399)
Annual OPEB expense		4,378,703
Contributions made:		
Payment to insurers/retirees		(1,582,337)
Increase in OPEB obligation		2,796,366
Net OPEB obligation at July 1, 2014		11,488,804
Net OPEB obligation at June 30, 2015	$	14,285,170

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net obligation for June 30, 2015 and the preceding years is as follows:

Fiscal year ended	Annual OPEB expense	% of annual OPEB expense contributed	Net OPEB obligation
6/30/13	$ 4,188,267	51.59%	$ 8,996,221
6/30/14	$ 4,423,147	43.65%	$ 11,488,804
6/30/15	$ 4,378,703	36.14%	$ 14,285,170

The District's funding status for other postemployment benefits as of the most recent valuation date, July 1, 2013, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b – a] / c)
7/1/13	$ 0	$ 41,757,578	$ 41,757,578	0%	$ 161,868,006	26%

REQUIRED SUPPLEMENTARY INFORMATION

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b – a] / c)
7/1/09	$ 0	$ 38,190,066	$ 38,190,066	0%	$ 147,396,100	26%
7/1/11	$ 0	$ 37,905,734	$ 37,905,734	0%	$ 145,038,139	26%
7/1/13	$ 0	$ 41,757,578	$ 41,757,578	0%	$ 161,868,006	26%

LODI UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	GAAP Basis	Favorable (Unfavorable)
REVENUES				
State apportionments	$ 167,658,321	$ 166,688,908	$ 166,576,635	$ (112,273)
Local sources	35,287,463	36,966,634	37,789,932	823,298
Total local control funding formula	202,945,784	203,655,542	204,366,567	711,025
Federal revenues	15,061,045	19,878,063	15,623,982	(4,254,081)
Other state revenues	27,071,921	36,585,808	37,190,953	605,145
Other local revenues	1,710,856	4,702,273	4,569,907	(132,366)
Total revenues	246,789,606	264,821,686	261,751,409	(3,070,277)
EXPENDITURES				
Certificated personnel salaries	118,889,959	125,893,602	123,964,764	1,928,838
Classified personnel salaries	38,995,996	41,787,864	41,316,401	471,463
Employee benefits	51,495,567	57,855,114	55,832,944	2,022,170
Books and supplies	16,061,603	21,221,292	14,374,941	6,846,351
Services and other operating expenditures	22,804,422	30,591,336	30,466,334	125,002
Capital outlay	896,961	4,779,663	1,733,884	3,045,779
Other outgo		262,981	278,991	(16,010)
Transfer apportionment to county	206,845			
Allocation of indirect costs	(1,088,806)	(1,107,356)	(915,916)	(191,440)
Debt service	869,888	1,285,367	1,221,721	63,646
Total expenditures	249,132,435	282,569,863	268,274,064	14,295,799
Deficiency of revenues over expenditures	(2,342,829)	(17,748,177)	(6,522,655)	11,225,522
OTHER FINANCING USES				
Interfund transfers in		18,446	18,446	
Proceeds from Capital Leases		827,951	827,951	
Interfund transfers out	(1,846,525)	(1,922,385)	(1,922,384)	1
Total other financing uses	(1,846,525)	(1,075,988)	(1,075,987)	1
Net decrease in fund balance	(4,189,354)	(18,824,165)	(7,598,642)	11,225,523
Fund balance – beginning	39,615,789	39,615,789	39,615,789	
Fund balance – ending	$ 35,426,435	$ 20,791,624	$ 32,017,147	$ 11,225,523

LODI UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
CAFETERIA SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	GAAP Basis	Favorable (Unfavorable)
REVENUES				
Federal revenues	$ 13,304,229	$ 13,638,914	$ 12,489,138	$ (1,149,776)
Other state revenues	890,674	890,674	932,744	42,070
Other local revenues	2,594,944	2,594,944	2,714,515	119,571
Total revenues	16,789,847	17,124,532	16,136,397	(988,135)
EXPENDITURES				
Classified personnel salaries	5,788,754	5,985,471	5,432,239	553,232
Employee benefits	2,697,495	2,750,663	1,812,712	937,951
Books and supplies	8,410,015	8,593,862	6,328,642	2,265,220
Services and other operating expenditures	710,150	730,899	495,756	235,143
Capital outlay	2,585,000	2,683,100	277,728	2,405,372
Allocation of indirect costs	956,023	968,656	800,400	168,256
Total expenditures	21,147,437	21,712,651	15,147,477	6,565,174
Net (decrease) increase in fund balance	(4,357,590)	(4,588,119)	988,920	5,577,039
Fund balance – beginning	7,164,364	7,164,364	7,164,364	
Fund balance – ending	$ 2,806,774	$ 2,576,245	$ 8,153,284	$ 5,577,039

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2015 LAST 10 YEARS*

CalSTRS Plan

		2015
District's proportion of the net pension liability		0.252%
District's proportionate share of the net pension liability	$	147,261,240
State's proportionate share of the net pension liability associated with the District		88,989,303
Total	$	236,250,543
District's covered employee payroll	$	114,500,629
District's proportionate share of the net pension liability as a percentage of its covered employee payroll		129%
Plan fiduciary net position as a percentage of the total pension liability		77%

CalPERS Plan

		2015
District's proportion of the net pension liability		0.384%
District's proportionate share of the net pension liability	$	43,570,645
District's covered employee payroll	$	40,354,159
District's proportionate share of the net pension liability as a percentage of its covered employee payroll		108%
Plan fiduciary net position as a percentage of the total pension liability		83%

Notes to Schedule:

Change of benefit terms – In 2015, there were no changes to the benefit terms.

Changes in assumptions – In 2015, there were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
AS OF JUNE 30, 2015
LAST 10 YEARS*

CalSTRS Plan

	2015
Contractually required contribution (actuarially determined)	$ 11,101,972
Contributions in relation to the contractually required contributions	(11,101,972)
Contribution deficiency (excess)	$ 0
District's covered-employee payroll	$ 124,375,645
Contributions as a percentage of covered-employee payroll	8.93%

CalPERS Plan

	2015
Contractually required contribution (actuarially determined)	$ 5,077,414
Contributions in relation to the contractually required contributions	(5,077,414)
Contribution deficiency (excess)	$ 0
District's covered-employee payroll	$ 43,217,793
Contributions as a percentage of covered-employee payroll	11.75%

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

SUPPLEMENTARY INFORMATION SECTION

LODI UNIFIED SCHOOL DISTRICT

ORGANIZATION
JUNE 30, 2015

The Lodi Unified School District was established on July 1, 1967, and comprises an area located in San Joaquin County. There were no changes in the boundaries of the District during the current year. The District currently operates 32 elementary schools (most of which have a grade configuration of kindergarten through 6th grade, one GATE school for grades 4-8, and two schools for grades K-8), five middle schools (for grades 7-8), two community day schools (grades 7-9 and grades 7-12), four comprehensive high schools (for grades 9-12), one high school offering college preparatory classes, two alternative high schools, an independent study school for grades K-12, one charter school for grades K-8, preschool programs, and an adult education program. The District also has four independent charter schools.

GOVERNING BOARD

Name	Office	Term Expires
Mr. Joe Nava	President	2016
Mr. George Neely	Vice President	2018
Ms. Ron Freitas	Clerk	2016
Ms. Bonnie Cassel	Member	2018
Mr. Ron Heberle	Member	2018
Ms. Ralph Womack	Member	2016
Dr. Daryl Talken	Member	2018

ADMINISTRATION

Dr. Cathy Washer
Superintendent

Mr. Tim Hern
Associate Superintendent/Chief Business Officer

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2015

DISTRICT

	Second Period Report	Annual Report
Elementary:		
Transitional Kindergarten through 3	8,394	8,396
Grades 4 through 6	6,293	6,296
Grades 7 and 8	4,079	4,076
Special Education – Nonpublic, Non-sectarian Schools	29	30
Community Day School	62	62
Extended Year ADA –Nonpublic, Non-sectarian Schools	44	89
Elementary Totals	18,901	18,949
High School:		
Grades 9 through 12	7,816	7,788
Special Education– Nonpublic, Non-sectarian Schools	33	32
Community Day School	9	11
Extended Year ADA– Nonpublic, Non-sectarian Schools	18	34
High School Totals	7,876	7,865
ADA Totals	26,777	26,814

JOE SERNA JR. CHARTER SCHOOL

	Second Period Report	Annual Report
Elementary:		
Kindergarten through 3	155	154
Grades 4 through 6	99	99
Grades 7 and 8	66	66
ADA Totals - Classroom Based	320	319

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2015

Charter School	Included/Not Included
Aspire Public Schools – River Oaks Charter School	Not Included
Aspire Public Schools – Aspire Vincent Shalvey Academy	Not Included
Aspire Public Schools - Benjamin Holt College Prep Academy	Not Included
Rio Valley Charter School	Not Included
Joe Serna Jr. Charter School	Included

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2015

Grade Level	1986-87 Minutes Requirement	1986-87 Reduced Minutes Requirement	2014-15 Actual Minutes	Number of Instructional Days Offered	Status
DISTRICT					
Kindergarten	36,000	35,000	36,000	180	In Compliance
Grades 1	50,400	49,000	51,314	180	In Compliance
Grades 2	50,400	49,000	51,314	180	In Compliance
Grades 3	50,400	49,000	51,314	180	In Compliance
Grades 4	54,000	52,500	54,866	180	In Compliance
Grades 5	54,000	52,500	54,866	180	In Compliance
Grades 6	54,000	52,500	54,866	180	In Compliance
Grades 7	54,000	52,500	60,408	180	In Compliance
Grades 8	54,000	52,500	60,408	180	In Compliance
Grades 9	64,800	63,000	65,505	180	In Compliance
Grades 10	64,800	63,000	65,505	180	In Compliance
Grades 11	64,800	63,000	65,505	180	In Compliance
Grades 12	64,800	63,000	65,505	180	In Compliance

CHARTER SCHOOL

Grade Level	Required Minutes	2014-15 Actual Minutes	Number of Instructional Days Offered	Status
Kindergarten	34,971	48,660	180	In Compliance
Grades 1	48,960	52,470	180	In Compliance
Grades 2	48,960	52,470	180	In Compliance
Grades 3	48,960	54,465	180	In Compliance
Grades 4	52,457	54,465	180	In Compliance
Grades 5	52,457	54,465	180	In Compliance
Grades 6	52,457	60,570	180	In Compliance
Grades 7	52,457	60,570	180	In Compliance
Grades 8	52,457	60,570	180	In Compliance

The District participated in Longer Day incentives and is funded at a level for a District that has not met or exceeded its LCFF target funding.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2015

GENERAL FUND

	June Adopted Budget 2016	2015	2014	2013
Revenues and other financial sources	$ 275,531,982	$ 262,597,806	$ 235,049,663	$ 222,698,555
Expenditures	261,278,023	268,274,064	245,682,290	222,456,529
Other uses and transfers out	1,941,651	1,922,384	3,779,297	5,239,916
Total outgo	263,219,674	270,196,448	249,461,587	227,696,445
Change in fund balance	12,312,308	(7,598,642)	(14,411,924)	(4,997,890)
Ending fund balance	$ 44,329,455	$ 32,017,147	$ 39,615,789	$ 54,027,713
Available reserves[1]	$ 15,922,419	$ 14,167,932	$ 22,169,769	$ 32,976,276
Reserved for economic uncertainties	$ 7,925,000	$ 8,024,131	$ 7,550,000	$ 7,059,122
Unassigned fund balance	$	$ 6,143,801	$ 14,619,769	$ 25,917,154
Available reserves as a percentage of total outgo	6.0%	5.2%	8.9%	14.5%
Total long-term debt[3]	$ 391,067,282	$ 403,132,750	$ 455,009,968	$ 222,287,955
Average daily attendance at P-2[2]	26,845	26,777	26,852	26,698

(1) Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund.

(2) Excludes Adult Education ADA.

(3) Beginning for the fiscal year 2014-15, the net pension liability is included in long-term debt due to the implementation of GASB 68. Fiscal year 2013-14 long-term debt was restated to include the net pension liability.

The General Fund balance has decreased by $22,010,566 over the past two years. The fiscal year 2015-16 budget projects an increase of $12,312,308. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in all of the past three years, and anticipates generating an operating surplus during the 2015-16 fiscal year. Total long-term debt has increased by $180,844,795 over the past two years.

Average daily attendance has increased by 79 over the past two years. ADA is anticipated to increase by 68 during fiscal year 2015-16.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	PCA Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed-Through Public Health Services of San Joaquin County:			
Harvest of the Month	10.561	N/A	$ 29,439
Passed-Through California Department of Education (CDE):			
Child Nutrition Cluster:			
Child Nutrition: School Programs	10.555	13391	8,654,657
Child Nutrition (School Breakfast Basic)	10.553	N/A	2,389,206
Child Nutrition: School Programs - Commodities	10.555	N/A	1,019,724
Subtotal Child Nutrition Cluster			12,063,587
Child Nutrition: CACFP Claims	10.558	13666	1,129,674
Child Nutrition: Fresh Fruit and Vegetable Program	10.582	14968	189,888
National Lunch Program Equipment Grant	10.579	14906	96,456
Total U.S. Department of Agriculture			13,509,044
U.S. Department of Education:			
Passed-Through Department of Rehabilitation:			
Promoting the Readiness of Minors in Supplemental Security Income	84.418P	N/A	538,583
Transition Partnership Program	84.126A	10006	190,741
Passed-Through CDE:			
IDEA Early Intervention Grants	84.181	23761	75,117
Special Ed: State Improvement Grant, Improving Special Ed Systems	84.323	14920	6,000
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	812,053
Voc & Applied Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	13924	249,109
Title I:			
Title I Basic Grants Low Income & Neg.	84.010	14329	6,549,415
Title I, Part D, Local Delinquent	84.010	14357	7,076
Subtotal Title I Cluster			6,556,491
Teacher Quality Grants:			
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	923,893
Title II, Part A, Administrator Training	84.367	14344	7,355
Subtotal Teacher Quality Grants			931,248
Special Education Cluster (IDEA):			
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	4,410,268
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	14,919
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	121,805
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	84.027A	13682	332,657
Special Ed: IDEA Mental Health Services, Part B, Sec 611	84.027A	14468	323,683
Special Ed: IDEA 611 Early Intervention	84.027	10119	404,232
Subtotal Special Education Cluster (IDEA)			5,607,564
Total U.S Department of Education			14,966,906
U.S. Department of Health and Human Services:			
Passed-Through California Department of Health Services:			
Medicaid Cluster:			
Medi-Cal Option Billing	93.778	10013	446,880
Total U.S. Department of Health and Human Services			446,880
Total Expenditures of Federal Awards			$ 28,922,830

See the accompanying notes to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

AUDITOR'S COMMENTS

All fund balances agreed to the unaudited actuals.

1. PURPOSE OF SCHEDULES

A. SCHEDULE OF AVERAGE DAILY ATTENDANCE

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

B. SCHEDULE OF CHARTER SCHOOLS

This schedule lists all charter schools chartered by the District and displays information for each charter school on whether or not it is included in the District's financial statements.

C. SCHEDULE OF INSTRUCTIONAL TIME

The District 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 46201 through 46206.

D. SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

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

E. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations;* therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

F. RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the fund equity of all funds as reported on the unaudited actuals to the audited fund financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS

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

Independent Auditor's Report

Board of Education
Lodi Unified School District
Lodi, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lodi 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 November 6, 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 opinion 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 6, 2015

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Board of Education
Lodi Unified School District
Lodi, California

Report on Compliance for Each Major Federal Program

We have audited Lodi Unified School District's (the District) compliance with the types of compliance requirements described in the 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 Audit 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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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 in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 6, 2015

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REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS IN ACCORDANCE WITH 2014-15 GUIDE FOR ANNUAL AUDITS OF K-12 LOCAL EDUCATION AGENCIES AND STATE COMPLIANCE REPORTING

Independent Auditor's Report

Board of Education
Lodi Unified School District
Lodi, California

Report on State Compliance

We have audited the Lodi Unified School District's (the District) 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* applicable to the District's programs identified in the below schedule for the school year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's state 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 *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 and the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* 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 the programs identified in the below schedule occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination on the District's compliance with those requirements.

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In connection with the requirements referred to above, we selected and tested transactions and records to determine the District's compliance with the applicable programs identified below:

Compliance Requirements	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios 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	Yes
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
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Yes
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	Yes
Mode of Instruction	Yes
Non-classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non-classroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on the types of compliance requirements referred to above is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

Opinion on State Compliance

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 the programs identified in the above schedule for the year ended June 30, 2015.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

November 6, 2015

FINDINGS AND RECOMMENDATIONS SECTION

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

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?	____ Yes	X No
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?	____ 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 Section .510(a) of OMB Circular A-133?	____ Yes	X No

Identification of major programs

CFDA Numbers	Name of Federal Program or Cluster
84.027	Special Education Cluster
84.367	Title II Part A Teacher Training
84.365	Title III

Dollar threshold used to distinguish between Type A and Type B programs:	$ 867,685	
Auditee qualified as low-risk auditee?	X Yes	____ No

State Awards

Internal control over State programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified?	____ Yes	X None Reported
Any audit findings disclosed that are required to be reported in accordance with Audits of California K-12 Local Education Agencies?	X Yes	____ No
Type of auditor's report issued on compliance for state programs:	Unmodified	

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENT

There were no financial statement findings reported.

STATE COMPLIANCE

2015-001: Teacher Certification and Misassignments – CDDC #71000

Criteria:

Teachers that teach a class, in which more than 20 percent of the pupils were English learners, must be authorized to instruct limited English proficient pupils pursuant to the provisions of Education Code section 44253.3, 44253.4 or 44253.10.

Condition:

The entire District population of teachers that teach a class in which more than 20 percent of pupils are English learners is 1,449. Included in the population are 7 teachers that did not appear to have appropriate authorization to instruct limited English proficient pupils pursuant to the provisions of the Education code sections listed above.

Cause:

Due to lack of availability of appropriately credentialed teachers for some assignments, teachers have been hired to teach within the subject area of their credential in spite of the fact that they do not possess the Crosscultural, Language, and Academic Development (CLAD) or equivalent.

Questioned Costs:

There are no associated questioned costs due to the nature of the finding.

Effect:

The appropriate authorization to instruct limited English proficient pupils pursuant to the provisions of the Education code sections listed allows for the teacher to have the knowledge and ability to teach student who are English learners.

Recommendation:

To the extent possible, the District should ensure that teachers that teach a class, in which more than 20 percent of the pupil were English learners, have the appropriate authorization to instruct limited English proficient pupils pursuant to the provisions of the Education code section 44253.3, 44253.4 or 44253.10.

Management's Response:

To the extent possible, the District will work to ensure that teachers that teach a class, in which more than 20 percent of the pupil were English learners, have the appropriate authorization to instruct limited English proficient pupils pursuant to the provisions of the Education code section 44253.3, 44253.4 or 44253.10.

FEDERAL COMPLIANCE

There were no federal compliance findings reported.

LODI UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings and questions costs reported.